



Attachment 4

## CalPERS – Performance Review – June 30, 2010

**Michael C. Schlachter, CFA**  
Managing Director & Principal

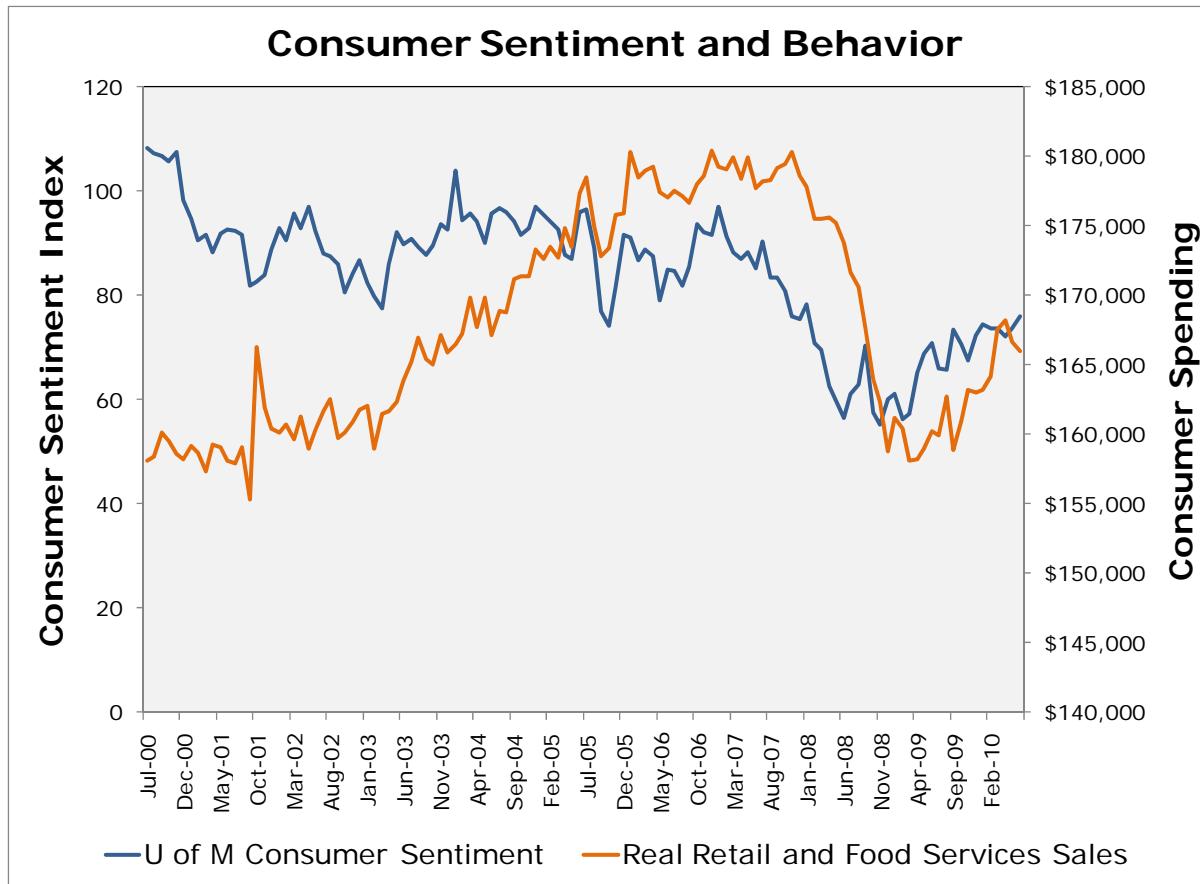
**Andrew Junkin, CFA, CAIA**  
Managing Director & Principal

August 2010

# Overview

- Consumer weakness continues to drag on
- Industrial production increasing, but may not be sufficient to offset other weaknesses
- Demand driven inflation seems unlikely
  - Deficit could drive monetary inflation at some point, but possibly not as quickly as some fear
- A healthy consumer to drive the economy forward could be years away
- Strategic Outlook:
  - Long term, sizable AIM commitment may be difficult to maintain with high quality partners
  - Despite debt challenges and vacancy, investors have flocked to core real estate
  - Low yields for fixed income put pressure on future expected returns

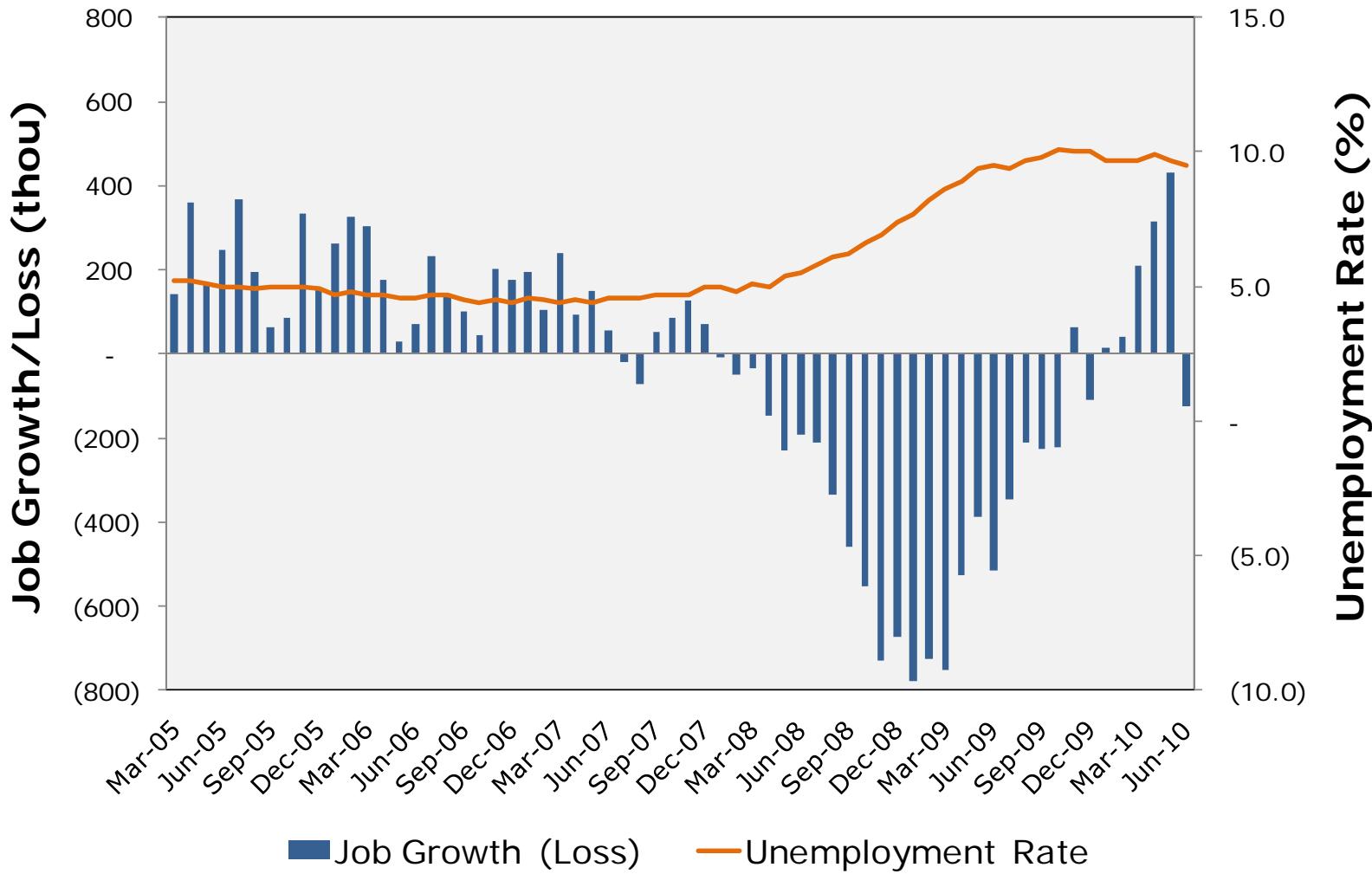
# Focus on Consumer



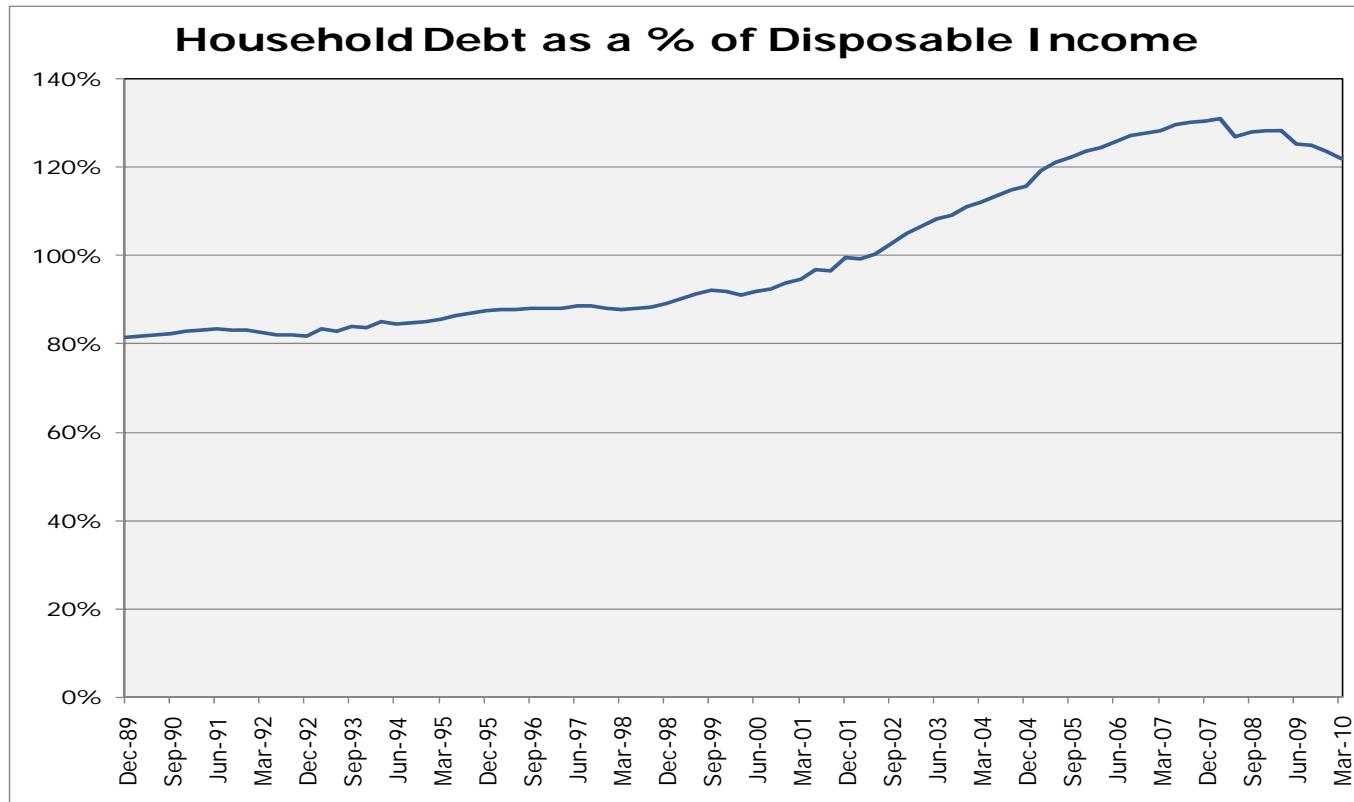
- Consumer sentiment has been mixed but generally improving.
- Spending has also moved higher but the consumer is clearly in no rush.

# Economic Review

## Unemployment Rate and Job Growth/Loss



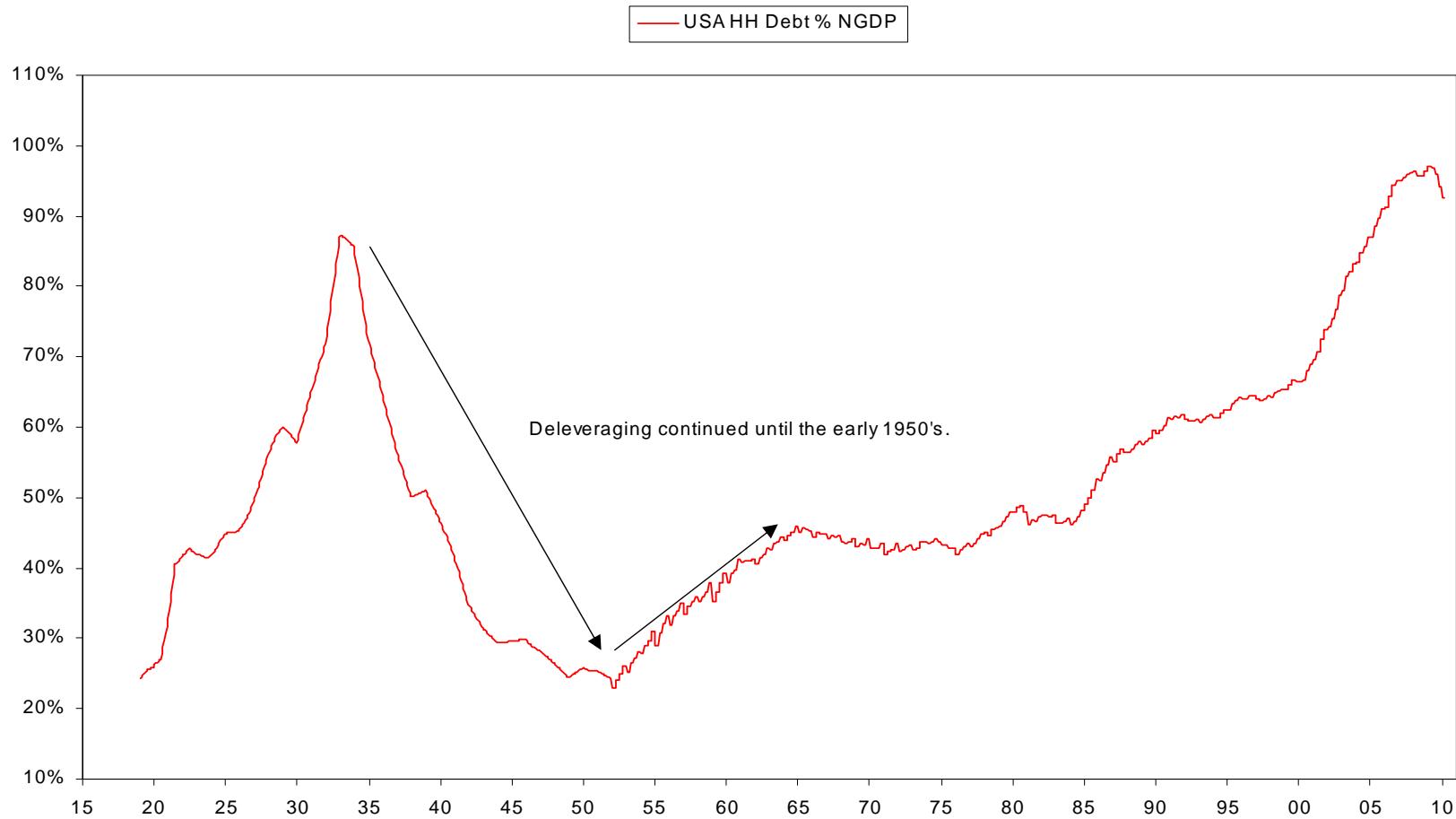
# Consumer Credit



- Household debt versus disposable income, after spending much of the last decade below 90%, has accelerated well past 100%.
- The ratio remains above 120% - calling into question the consumers ability to take on new debt.
- If households continue to de-leverage, growth in spending would have to come from other sources, i.e. wage growth, investments.

# De-levering Process Could be Lengthy

## UNITED STATES HOUSEHOLD DEBT



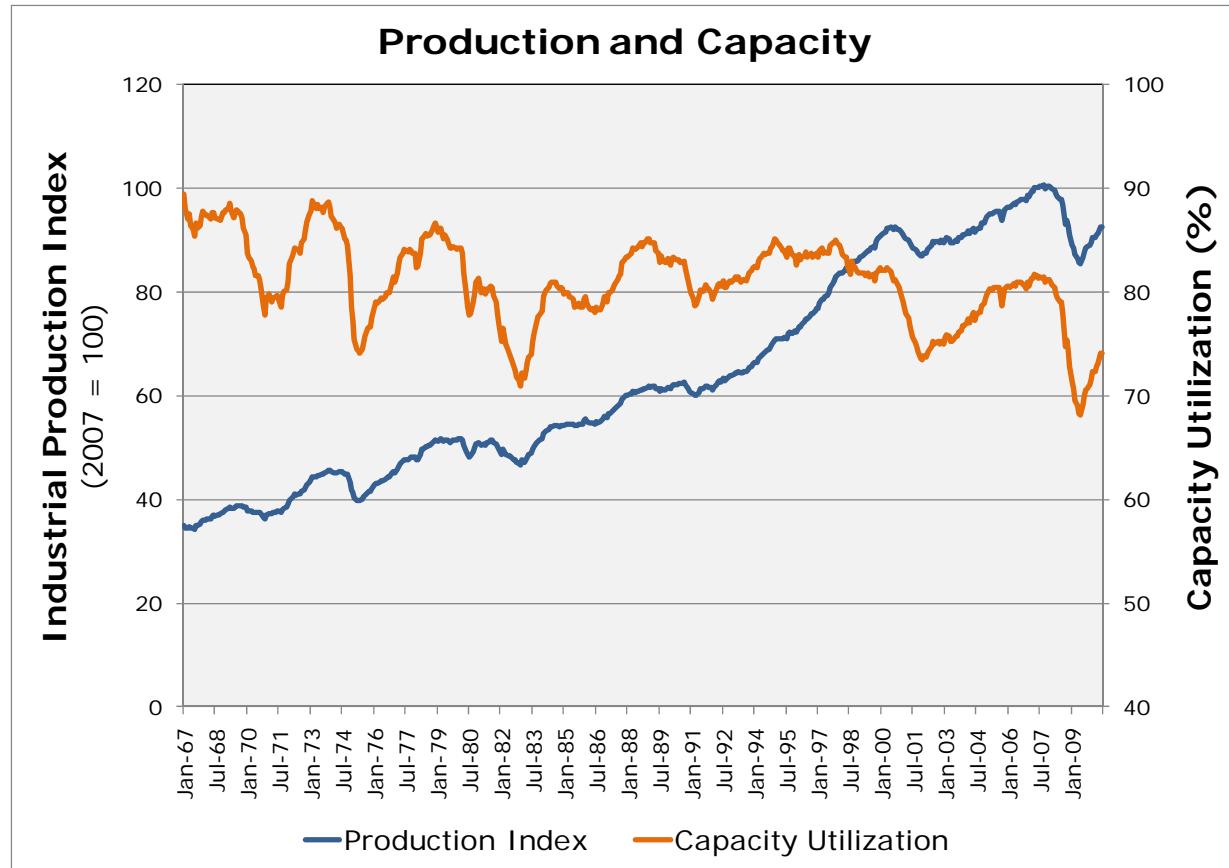
Source: Global Financial Data and Bridgewater Analysis

# And Rates Can Stay Low For Long Periods



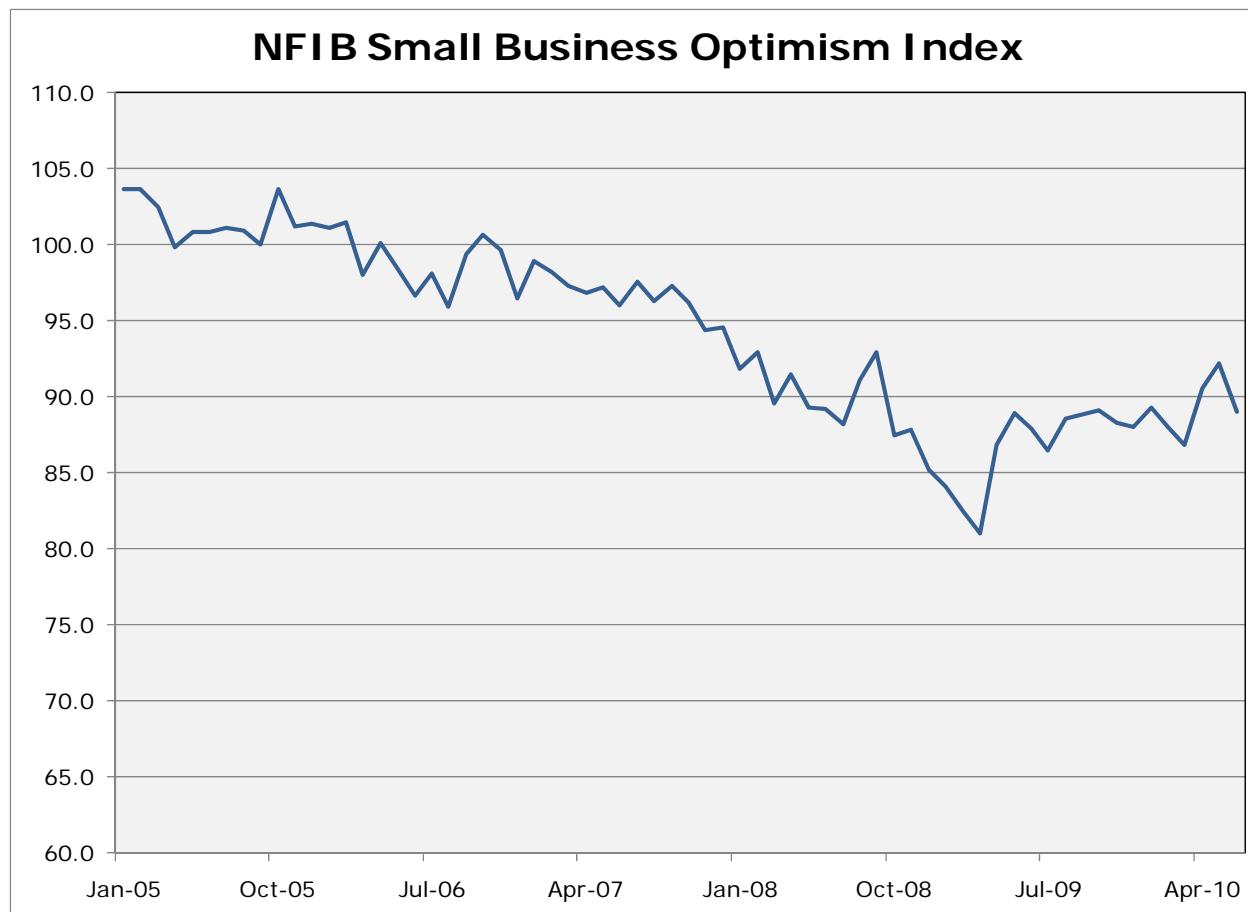
# Industrial Production

- The Industrial Production Index measures the real output of the U.S. manufacturing industry.
- Although improving, the index is at a pre-crisis level seen in Q4 2004.
- Utilization measures output versus total capacity.
- Depressed utilization suggests companies can meet improved demand without new investment.



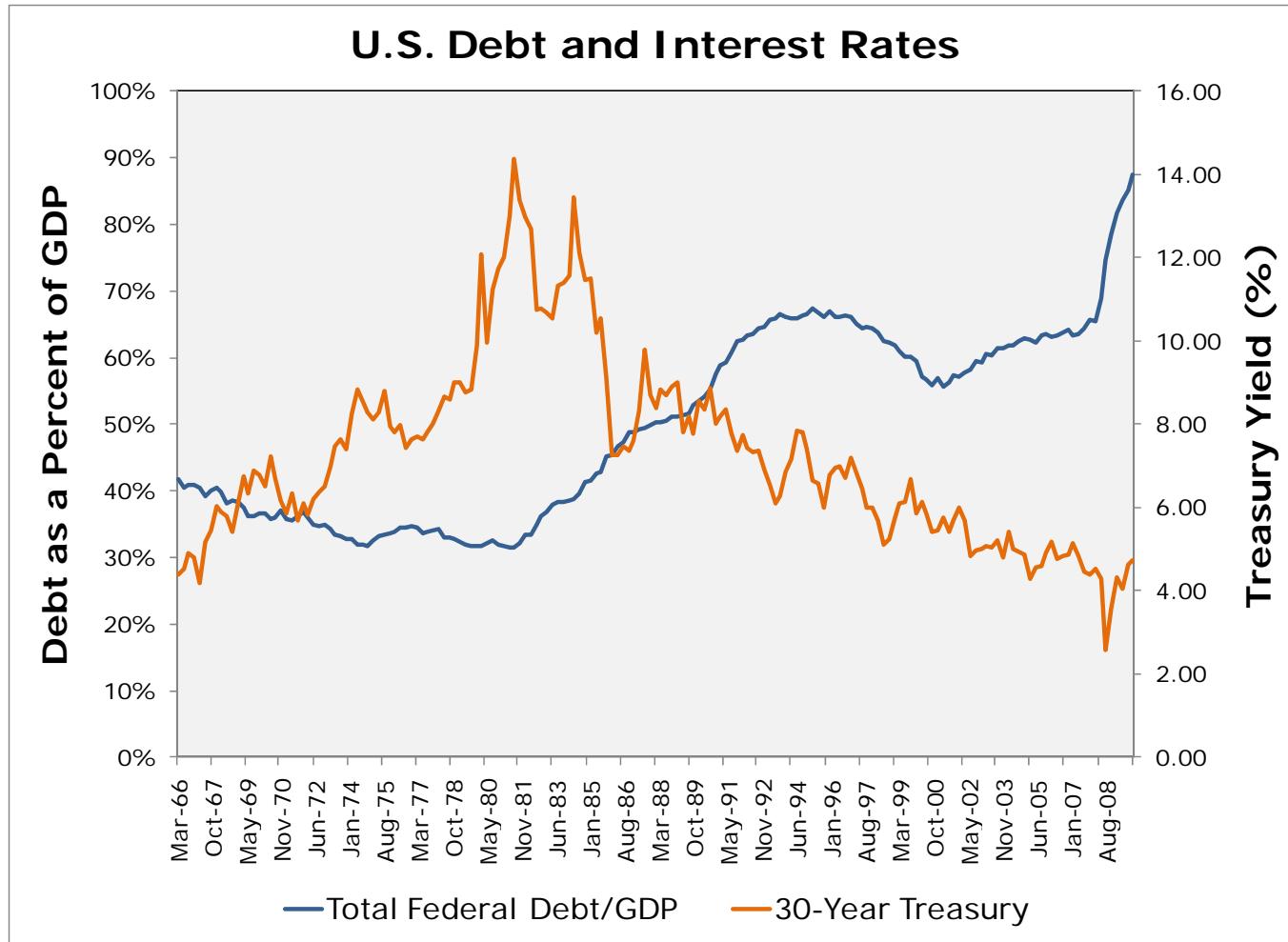
# Small Businesses

- The National Federation of Independent Business (NFIB) publishes a survey on small business owners expectations.
- Their 'Optimism Index' has improved but is still below pre-crisis levels.
- In their July report, the NFIB's survey shows that 6% of respondents believe the next 3 months is a good time to expand. Further, just 1% plan to hire in net terms.

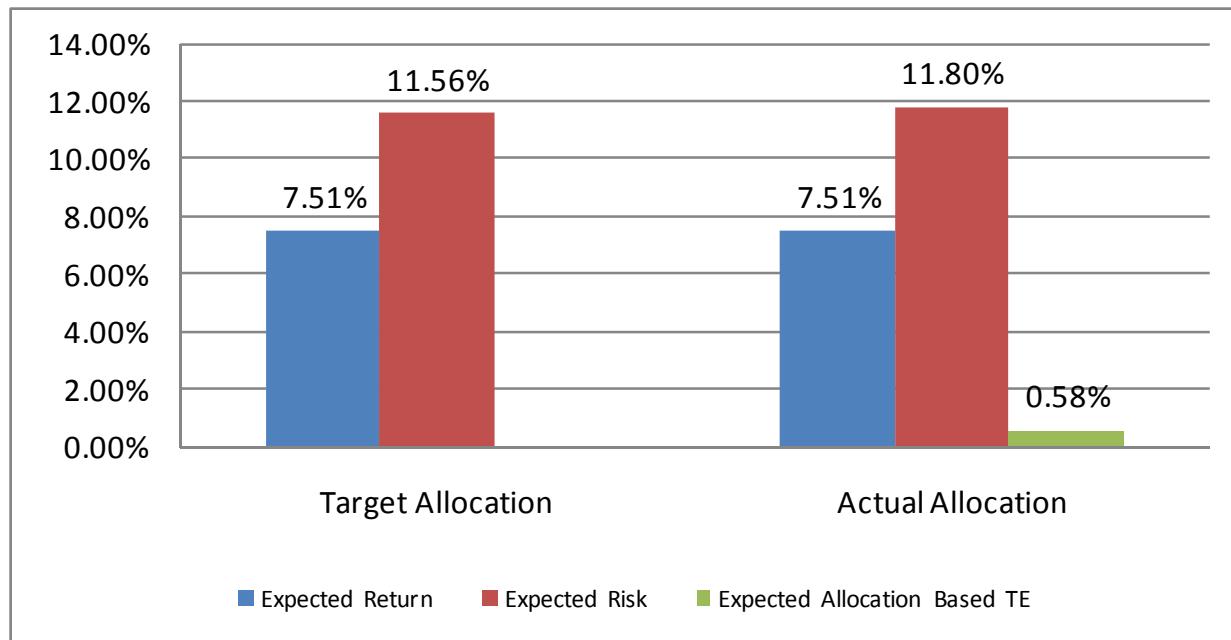


# Outstanding Federal Debt

- After nearly two decades hovering around 60%, federal debt as a percentage of GDP has shot towards 90%.
- Projected deficits for FY 2010 (\$1.5 tril) and 2011 (\$1.3 tril) would increase the ratio further.



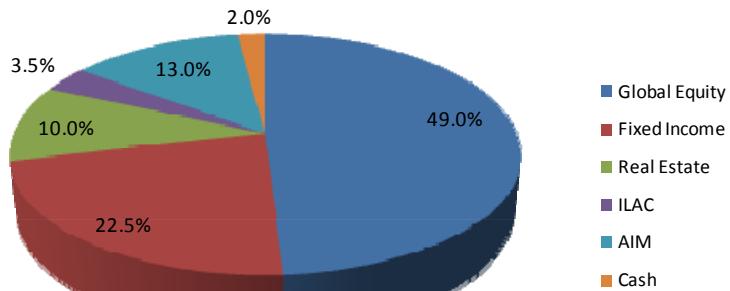
# CalPERS Investments Are Expected to Provide Return



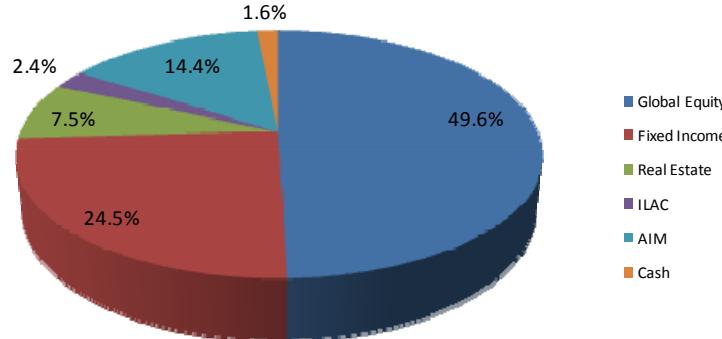
Forecasts using Wilshire's 2010 Asset Class Assumptions

# Asset and Risk Allocations

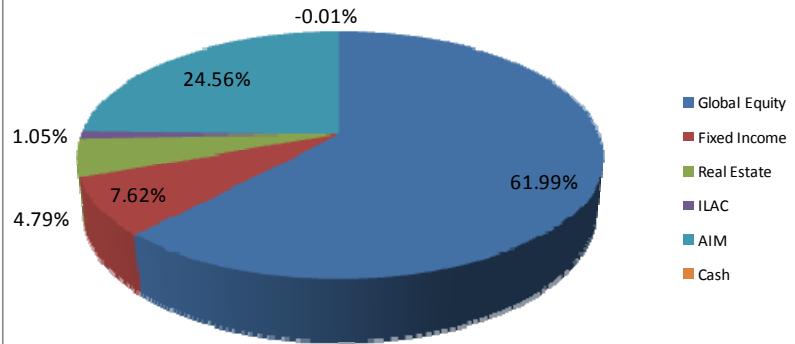
## Target Asset Allocation



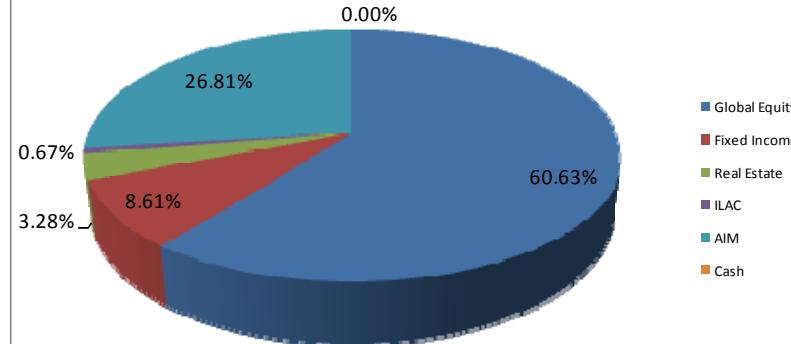
## Actual Asset Allocation



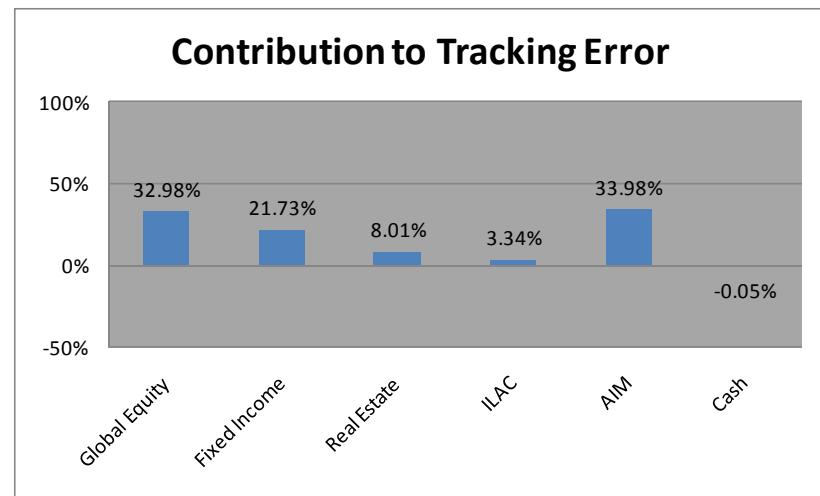
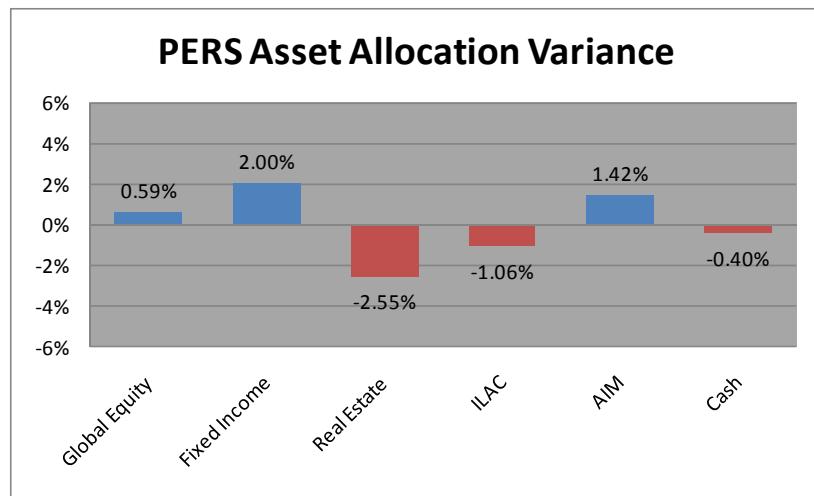
## Contribution to Total Risk - Target Allocation



## Contribution to Total Risk - Actual Allocation



# Drivers of Expected Tracking Error



- This tracking error forecast is based on asset allocation variances only
- Other sources of tracking error (structural within asset classes, manager/program specific source of tracking error, covariance) are not considered here

# Total Fund Performance – As of June 30, 2010

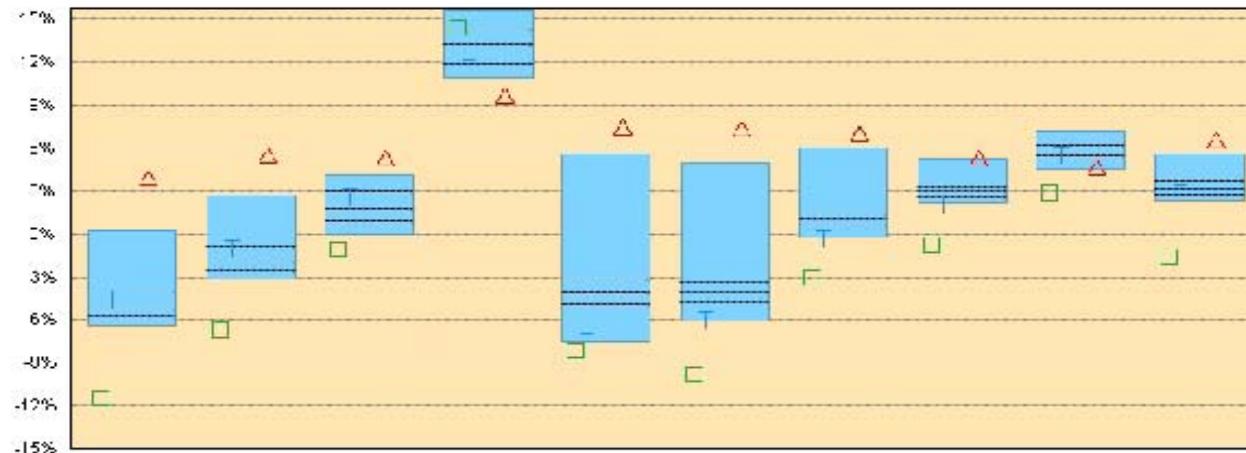


|   | Market Value<br>\$200.0 bil | Five-Year Ratios |               |               |              |             |                   |                      |                    |
|---|-----------------------------|------------------|---------------|---------------|--------------|-------------|-------------------|----------------------|--------------------|
|   |                             | Otr              | 1 Year        | 3 Year        | 5 Year       | 10 Year     | VaR <sup>12</sup> | Sharpe <sup>13</sup> | Info <sup>14</sup> |
| <b>TOTAL FUND</b>   |                             | -4.6%            | 11.4%         | -6.1%         | 1.9%         | 2.7%        | \$23.2 bil        | -0.1                 | -0.6               |
| <i>Total Fund Policy Index<sup>2</sup></i>                              |                             | -3.1%            | 16.1%         | -1.5%         | 4.5%         | 3.6%        |                   | 0.1                  | 0.0                |
| <i>Actuarial Rate</i>   |                             | 1.9%             | 7.8%          | 7.8%          | 7.8%         | 7.9%        |                   |                      |                    |
| <i>TUCS Public Fund Median</i>  |                             | -5.4%            | 12.7%         | -3.3%         | 3.0%         | 3.4%        |                   |                      |                    |
| <i>Wilshire Large Fund Universe Median<sup>3</sup></i>                  |                             | -5.1%            | 13.1%         | -4.0%         | 3.2%         | 3.4%        |                   |                      |                    |
| <b>TOTAL GLOBAL EQUITY EX-AIM &amp; EX CURRENCY OVERLAY<sup>4</sup></b> | <b>99.0</b>                 | <b>-11.0%</b>    | <b>14.4%</b>  | <b>-10.0%</b> | <b>0.9%</b>  | <b>0.3%</b> | <b>\$17.3 bil</b> | <b>-0.1</b>          | <b>-0.4</b>        |
| <i>Equity Policy Index<sup>5</sup></i>                                  |                             | -11.1%           | 13.8%         | -9.3%         | 1.3%         | 0.2%        |                   | -0.1                 | 0.0                |
| <i>TUCS Equity Median<sup>6</sup></i>                                   |                             | -10.6%           | 16.3%         | -8.3%         | 0.6%         | 2.0%        |                   |                      |                    |
| <b>TOTAL FIXED INCOME<sup>7</sup></b>                                   | <b>46.6</b>                 | <b>4.2%</b>      | <b>20.3%</b>  | <b>9.5%</b>   | <b>6.7%</b>  | <b>8.0%</b> | <b>\$2.8 bil</b>  | <b>0.6</b>           | <b>0.2</b>         |
| <i>Fixed Income Policy Index<sup>8</sup></i>                            |                             | 5.3%             | 12.5%         | 9.0%          | 6.0%         | 7.4%        |                   | 0.5                  | 0.0                |
| <i>TUCS Fixed Income Median</i>   |                             | 3.0%             | 11.9%         | 7.4%          | 5.8%         | 6.8%        |                   |                      |                    |
| <b>TOTAL REAL ESTATE<sup>9</sup></b>                                    | <b>14.9</b>                 | <b>-5.1%</b>     | <b>-37.1%</b> | <b>-25.6%</b> | <b>-8.6%</b> | <b>2.2%</b> | <b>\$2.3 bil</b>  | <b>-0.6</b>          | <b>-0.9</b>        |
| <i>Real Estate Policy Benchmark</i>                                     |                             | 0.3%             | -4.7%         | -2.6%         | 5.3%         | 7.7%        |                   | 0.3                  | 0.0                |
| <i>TUCS Real Estate Median</i>  |                             | 0.6%             | -7.0%         | -11.3%        | 0.0%         | 6.4%        |                   |                      |                    |
| <b>TOTAL AIM PROGRAM</b>  | <b>28.8</b>                 | <b>4.3%</b>      | <b>30.9%</b>  | <b>2.4%</b>   | <b>9.5%</b>  | <b>4.6%</b> | <b>\$8.9 bil</b>  | <b>0.6</b>           | <b>-0.4</b>        |
| <i>AIM Policy Index<sup>10</sup></i>                                    |                             | 6.8%             | 56.4%         | 12.3%         | 14.7%        | 4.5%        |                   | 1.2                  | 0.0                |
| <i>Lagged PERS2500 + 3%</i>   |                             | 6.8%             | 56.4%         | -0.8%         | 5.6%         | 2.7%        |                   |                      |                    |
| <b>TOTAL INFLATION LINKED PROGRAM</b>                                   | <b>4.9</b>                  | <b>-1.0%</b>     | <b>2.7%</b>   | <b>-.%</b>    | <b>-.%</b>   | <b>-.%</b>  | <b>\$0.7 bil</b>  |                      |                    |
| <i>Policy Index</i>   |                             | 1.7%             | 6.1%          | -.%           | -.%          | -.%         |                   |                      |                    |
| <b>Currency + Asset Allocation Transition</b>                           | <b>2.6</b>                  |                  |               |               |              |             |                   |                      |                    |
| <b>CASH EQUIVALENTS PROGRAM</b>   | <b>3.2</b>                  | <b>0.1%</b>      | <b>0.3%</b>   | <b>2.0%</b>   | <b>3.2%</b>  | <b>3.1%</b> |                   |                      |                    |
| <i>Custom STIF<sup>11</sup></i>   |                             | 0.0%             | 0.3%          | 1.9%          | 3.1%         | 2.8%        |                   |                      |                    |

# Total Fund – Universe Comparison

## California Public Employees Retirement Performance Comparison

Total Returns of Public Funds > \$10 Billion  
Cumulative Periods Ending : June 30, 2010



| Percentile Rankings    | 1 Qtr        | 2 Qtrs      | 3 Qtrs     | 1 Year     | 2 Years    | 3 Years     | 4 Years     | 5 Years     | 7 Years    | 10 Years    |
|------------------------|--------------|-------------|------------|------------|------------|-------------|-------------|-------------|------------|-------------|
| 5th                    | 0.30         | 2.68        | 4.17       | 15.66      | 5.60       | 4.93        | 6.00        | 5.28        | 7.16       | 5.56        |
| 25th                   | -4.00        | -0.84       | 2.99       | 14.30      | -3.14      | -3.41       | 1.42        | 3.27        | 6.20       | 3.67        |
| 50th                   | -5.26        | -1.86       | 1.69       | 13.28      | -4.11      | -4.09       | 1.07        | 2.94        | 5.62       | 3.24        |
| 75th                   | -5.80        | -2.51       | 0.89       | 11.89      | -4.97      | -4.68       | 0.54        | 2.55        | 5.44       | 2.77        |
| 95th                   | -6.42        | -3.15       | 0.00       | 10.85      | -7.56      | -6.05       | -0.23       | 2.13        | 4.54       | 2.37        |
| No. Of Obs             | 36           | 36          | 36         | 36         | 35         | 35          | 35          | 35          | 33         | 33          |
| Total Plan - Composite | -4.53 (38)   | -0.98 (27)  | 2.67 (30)  | 11.60 (87) | -7.56 (96) | -5.95 (90)  | -0.23 (96)  | 2.17 (87)   | 5.59 (56)  | 2.88 (71)   |
| Barclays Govt/Credit   | 3.88 (1)     | 5.49 (1)    | 5.27 (1)   | 9.65 (99)  | 7.44 (1)   | 7.37 (1)    | 7.03 (1)    | 5.26 (5)    | 4.67 (92)  | 6.48 (1)    |
| S&P 500                | -11.43 (100) | -6.67 (100) | -1.03 (99) | 14.40 (19) | -8.12 (99) | -9.81 (100) | -3.01 (100) | -0.79 (100) | 2.85 (100) | -1.59 (100) |

# CalPERS Total Fund – Asset Allocation

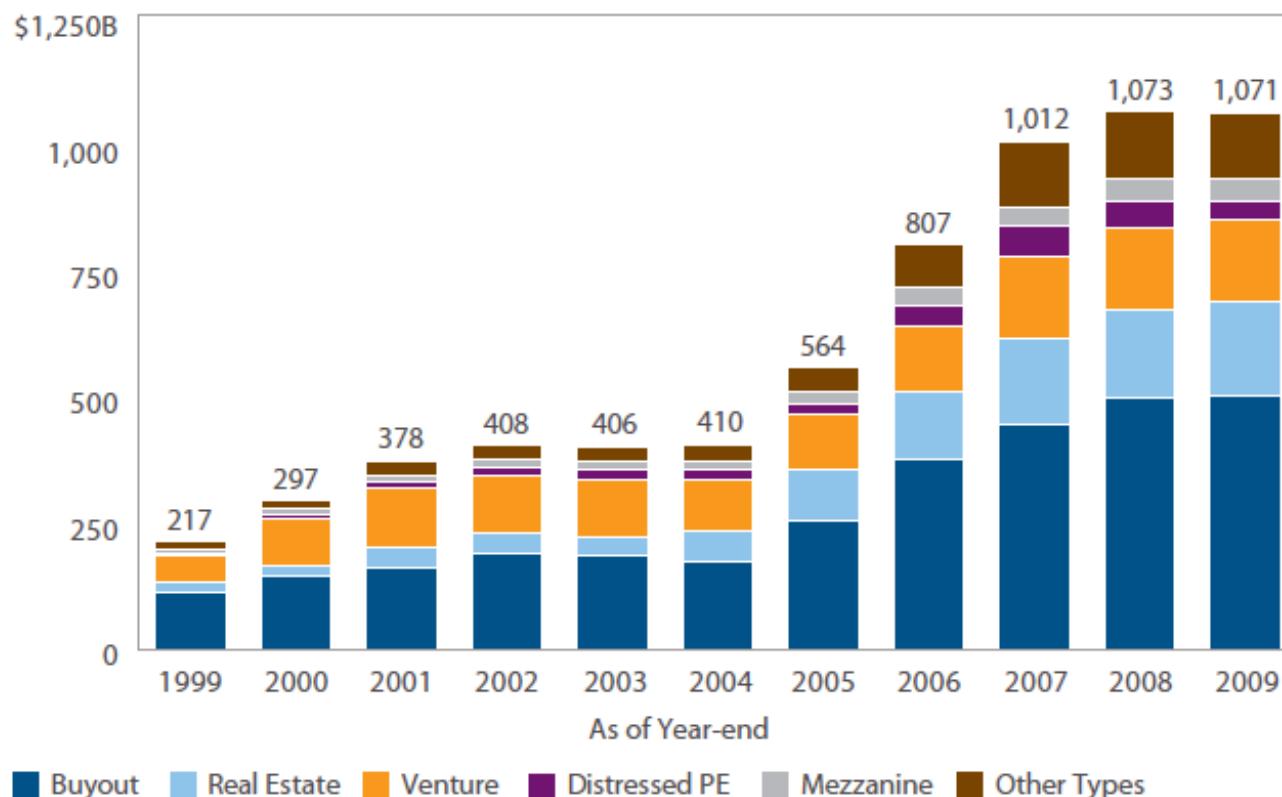


|                | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| % Equity       | 70          | 64          | 63          | 57          | 63          | 63          | 62          | 63          |
| % AIM          | -           | -           | -           | 5           | 5           | 5           | 5           | 6           |
| % Fixed Income | 24          | 29          | 27          | 28          | 24          | 24          | 25          | 23          |
| % ILAC         | -           | -           | -           | -           | -           | -           | -           | -           |
| % Real Estate  | 5           | 6           | 9           | 9           | 7           | 6           | 5           | 8           |
| % Cash         | 1           | 1           | 1           | 1           | 1           | 1           | 3           | 1           |
|                | <u>2007</u> | <u>2008</u> | <u>1Q09</u> | <u>2Q09</u> | <u>3Q09</u> | <u>4Q09</u> | <u>1Q10</u> | <u>2Q10</u> |
| % Equity       | 56          | 50          | 38          | 50          | 54          | 54          | 54          | 50          |
| % AIM          | 8           | 12          | 14          | 11          | 11          | 12          | 13          | 14          |
| % Fixed Income | 27          | 24          | 26          | 25          | 24          | 24          | 23          | 24          |
| % ILAC         | 1           | 2           | 3           | 3           | 2           | 2           | 2           | 2           |
| % Real Estate  | 8           | 10          | 12          | 10          | 7           | 7           | 7           | 8           |
| % Cash         | 1           | 1           | 8           | 1           | 1           | 1           | 1           | 2           |

# Private Equity – Un-invested Committed Capital

- Nearly \$1.1 trillion of committed capital in private markets that has not yet been invested.
- Limited deal completion during 2008 and 2009.

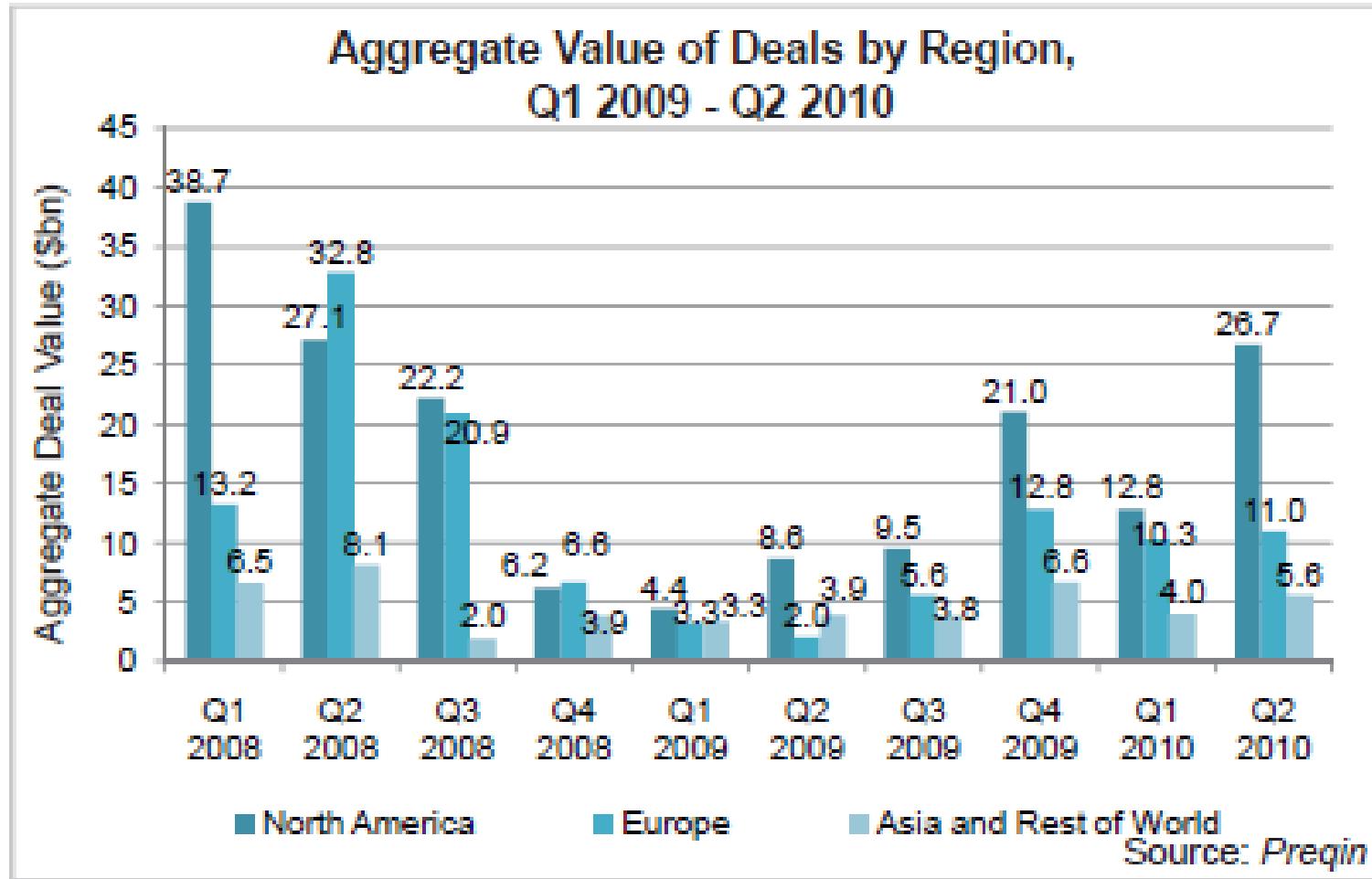
Unprecedented Level of "Dry Powder"  
Committed, Uncalled PE Capital



Note: Distressed PE includes distressed debt, special situation and turnaround funds  
Source: Preqin

# Increased Buyout Activity

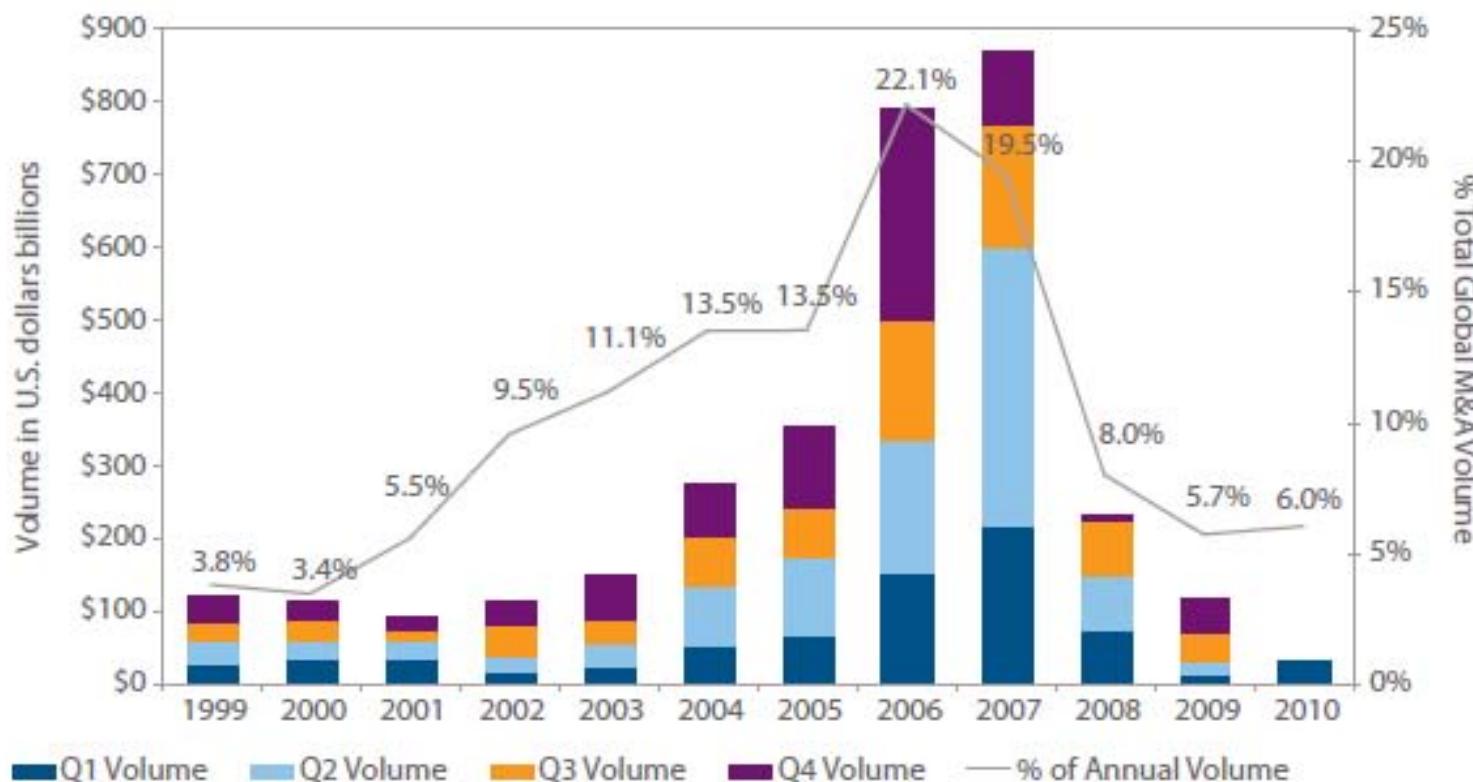
- Global private equity-backed buyout deals during the second quarter were the highest since the credit crunch.



# Improved Environment for Leverage

- Already in 2010, banks have agreed to extend more in leveraged loans than all of 2009.
- Global LBO volume has not spiked, though, in 2010.

Global LBO Volume

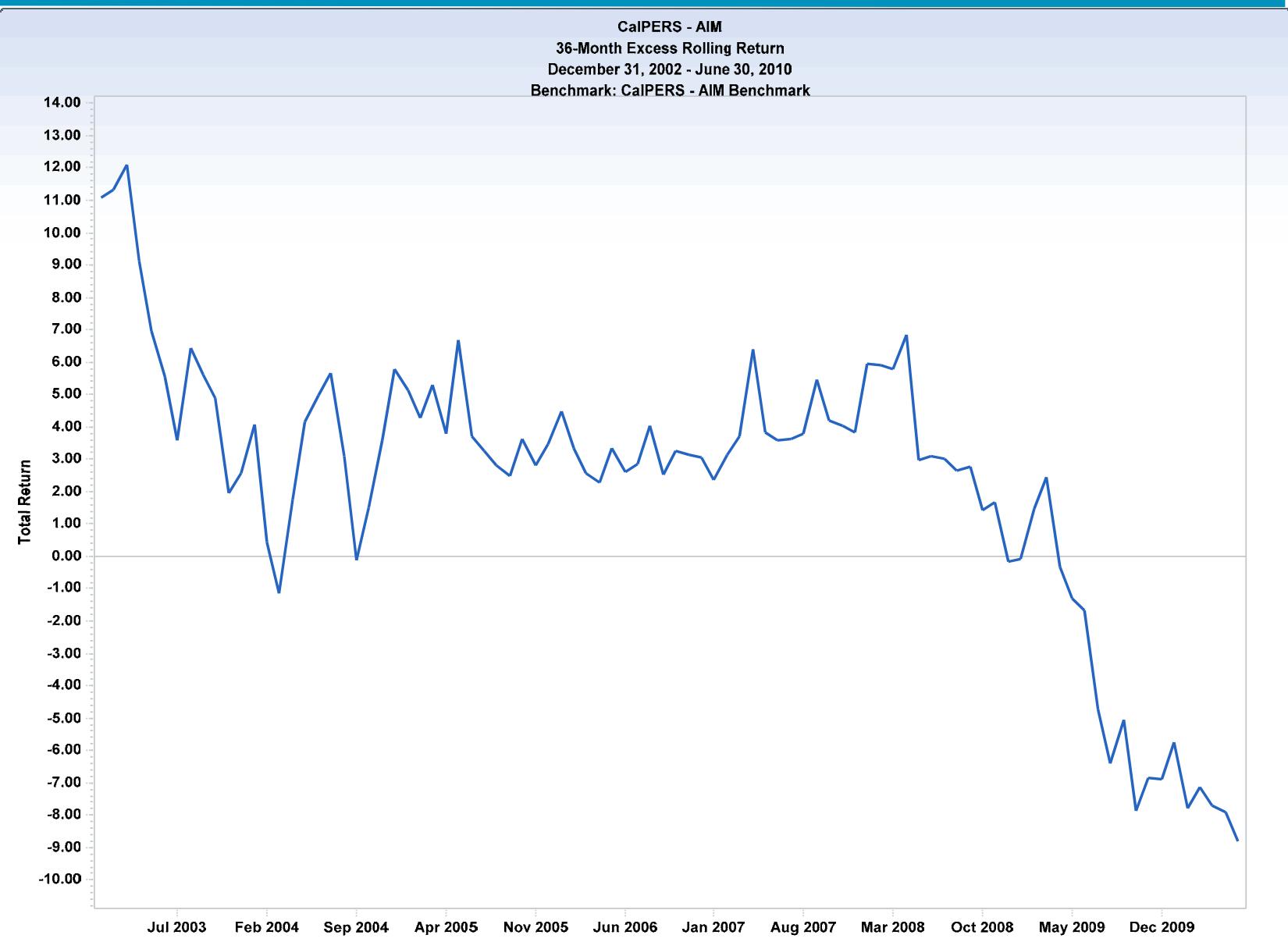


(Source: Thomson Financial)

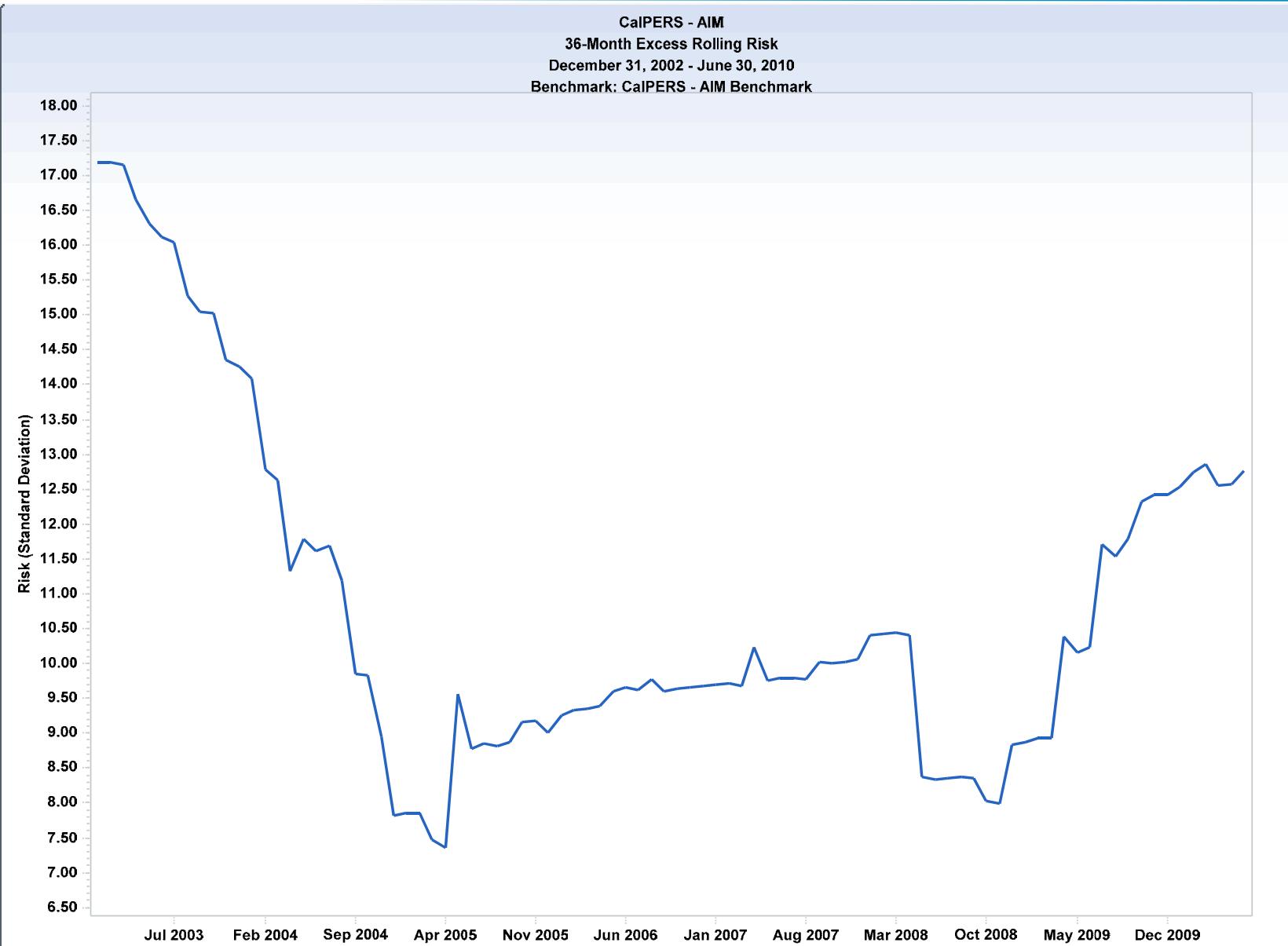
# AIM Performance

|  | <b>Market Value</b> | <b>Qtr</b>  | <b>1 Year</b> | <b>3 Year</b> | <b>5 Year</b> | <b>10 Year</b> | <b>VaR<sup>51</sup></b> | <b>5-year Sharpe Ratio<sup>52</sup></b> |
|--|---------------------|-------------|---------------|---------------|---------------|----------------|-------------------------|---|
| <b>AIM Program<sup>49</sup></b>                  | <b>28.8</b>         | <b>4.3%</b> | <b>30.9%</b>  | <b>2.4%</b>   | <b>9.5%</b>   | <b>4.6%</b>    | <b>\$8.9 bil</b>        | <b>0.6</b>                              |
| <i>Policy Index<sup>50</sup></i>                 |                     | 6.8%        | 56.4%         | 12.3%         | 14.7%         | 4.5%           |                         | <b>1.2</b>                              |
| <i>Value Added</i>                               |                     | -2.5%       | -25.5%        | -9.9%         | -5.2%         | 0.1%           |                         |   |
| <i>Lagged PERS 2500 + 3%</i>                     |                     | 6.8%        | 56.4%         | -0.8%         | 5.6%          | 2.7%           |                         |   |
| <i>Long-Term Policy (10-Year PERS 2500 + 3%)</i> |                     |             |               |               |               | 2.0%           |                         |   |
| AIM Partnership Investments                      | <b>28.7</b>         | 4.4%        | 30.9%         | 2.5%          | 9.6%          | 4.1%           |                         |   |
| AIM Distribution Stock                           | 0.1                 | -3.2%       | 12.2%         | 5.6%          | 8.9%          | -4.7%          |                         |   |

# AIM – Rolling Excess Returns



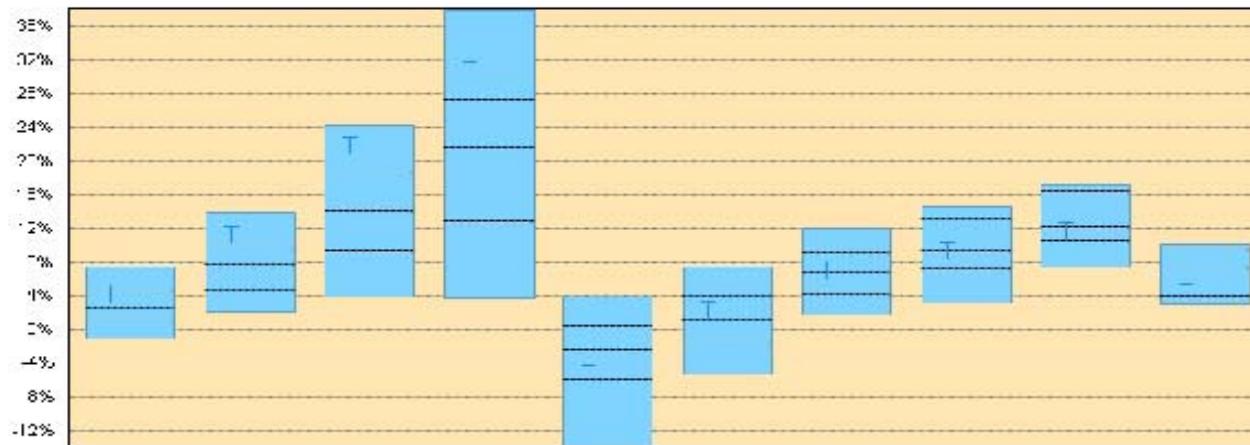
# AIM – Rolling Tracking Error



# AIM – Universe Comparison

## California Public Employees Retirement Performance Comparison

Total Private Equity Returns of Public Funds > \$10 Billion  
Cumulative Periods Ending : June 30, 2010

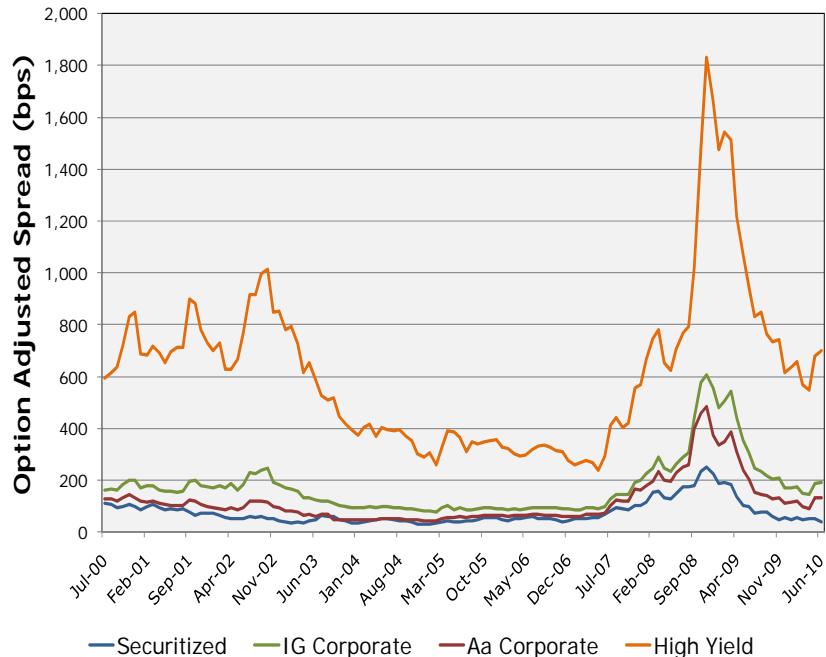


| Percentile Rankings      | 1 Qtr     | 2 Qtrs     | 3 Qtrs     | 1 Year     | 2 Years    | 3 Years   | 4 Years   | 5 Years   | 7 Years    | 10 Years  |
|--------------------------|-----------|------------|------------|------------|------------|-----------|-----------|-----------|------------|-----------|
| 5th                      | 7.30      | 13.87      | 24.23      | 37.95      | 3.84       | 7.33      | 11.93     | 14.67     | 17.15      | 10.04     |
| 25th                     | 4.52      | 9.44       | 18.70      | 27.41      | 0.52       | 4.05      | 9.07      | 13.14     | 16.44      | 9.58      |
| 50th                     | 2.55      | 7.75       | 14.16      | 21.73      | -2.39      | 1.28      | 6.79      | 9.36      | 12.12      | 7.36      |
| 75th                     | 1.05      | 4.66       | 9.37       | 12.89      | -5.88      | -1.78     | 4.28      | 7.19      | 10.62      | 4.11      |
| 95th                     | -1.10     | 2.00       | 3.90       | 3.65       | -14.17     | -5.38     | 1.76      | 3.16      | 7.40       | 2.96      |
| No. Of Obs               | 26        | 25         | 24         | 24         | 21         | 20        | 20        | 19        | 14         | 12        |
| T Total Plan - Composite | 4.33 (25) | 11.31 (13) | 21.93 (10) | 30.90 (10) | -5.22 (70) | 2.41 (35) | 7.26 (45) | 9.54 (45) | 11.79 (50) | 4.63 (58) |

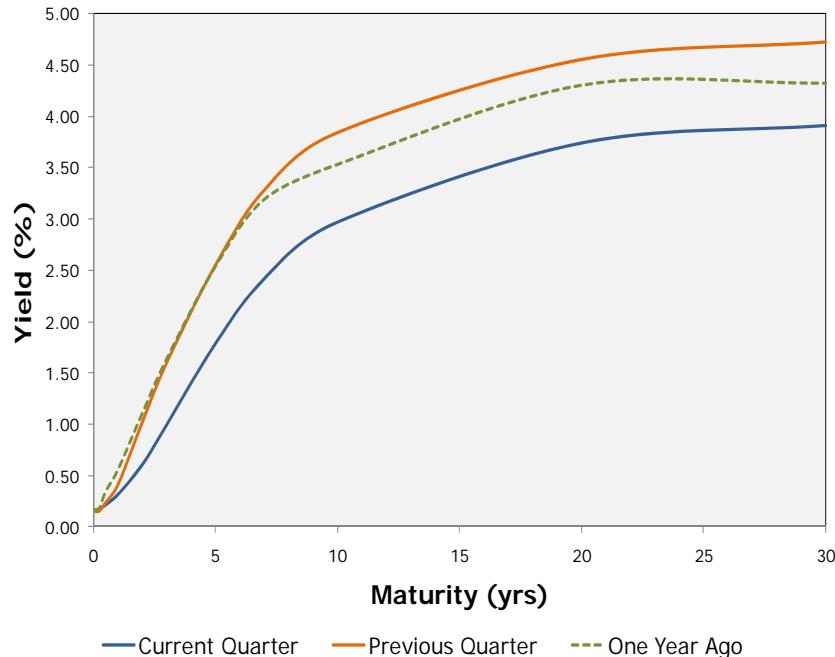
# U.S. Capital Markets: Fixed Income

| June 30, 2010                     | Qtr  | Ytd  | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|-----------------------------------|------|------|------|------|------|-------|
| Barclays Aggregate Bond Index     | 3.5  | 5.3  | 9.5  | 7.6  | 5.5  | 6.5   |
| Barclays Treasury Index           | 4.7  | 5.9  | 6.7  | 7.8  | 5.4  | 6.2   |
| Barclays Govt-Related Index       | 2.6  | 4.1  | 6.7  | 7.3  | 5.5  | 6.5   |
| Barclays Securitized Index        | 2.9  | 5.1  | 9.2  | 7.7  | 5.9  | 6.4   |
| Barclays Corporate IG Index       | 3.2  | 5.5  | 15.4 | 7.2  | 5.2  | 6.9   |
| Barclays LT Govt/Credit Index     | 8.6  | 10.2 | 16.5 | 9.4  | 5.6  | 8.0   |
| Barclays Long-Term Treasury Index | 12.2 | 13.2 | 12.0 | 10.6 | 6.1  | 8.0   |
| Barclays U.S. TIPS Index          | 3.8  | 4.4  | 9.5  | 7.6  | 5.0  | 7.5   |
| Barclays High Yield Index         | -0.1 | 4.5  | 26.8 | 6.5  | 7.2  | 7.3   |
| Treasury Bills                    | 0.0  | 0.0  | 0.1  | 1.6  | 2.8  | 2.7   |

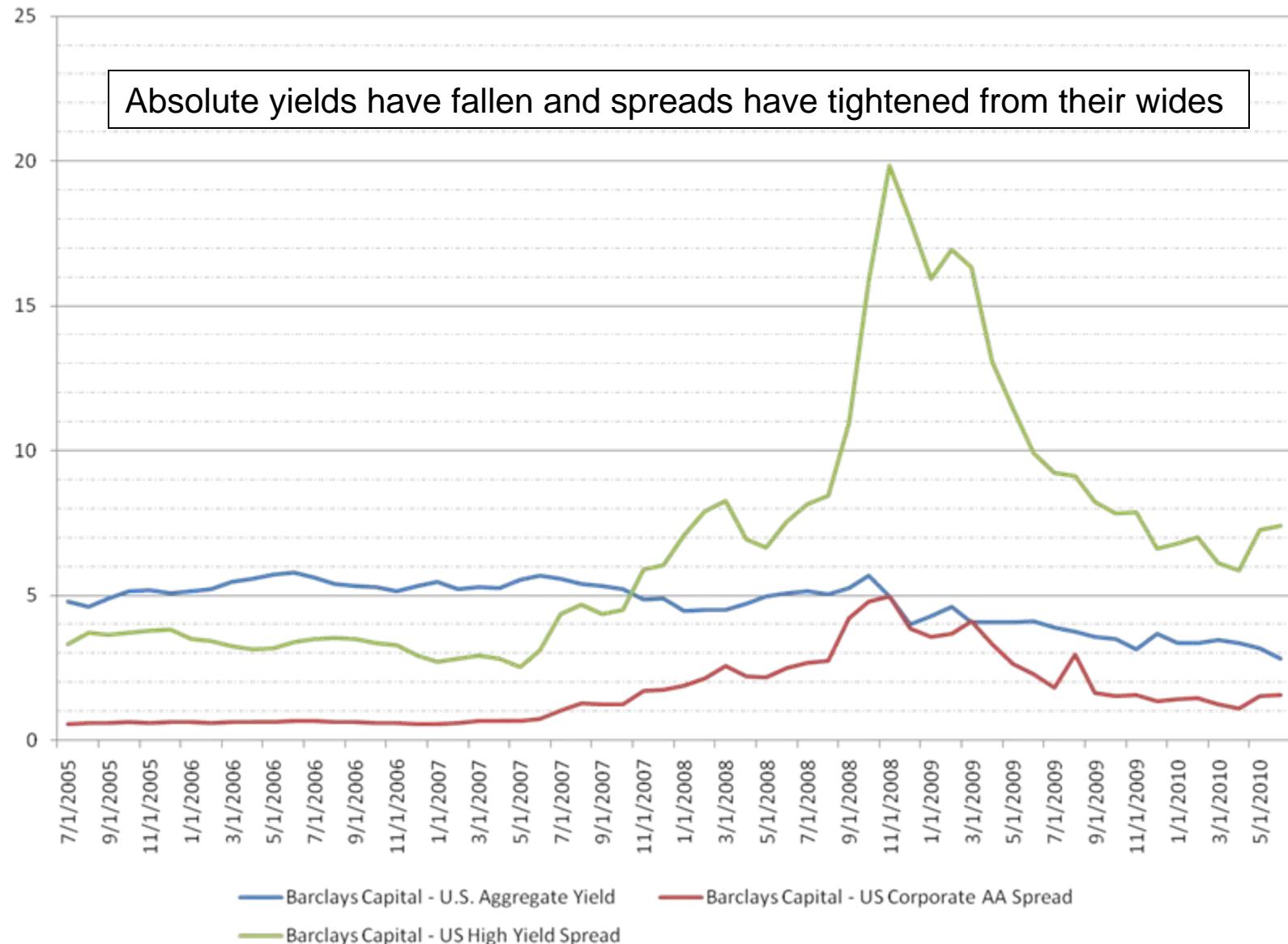
Barclays Fixed Income Indexes - OAS



Treasury Yield Curve

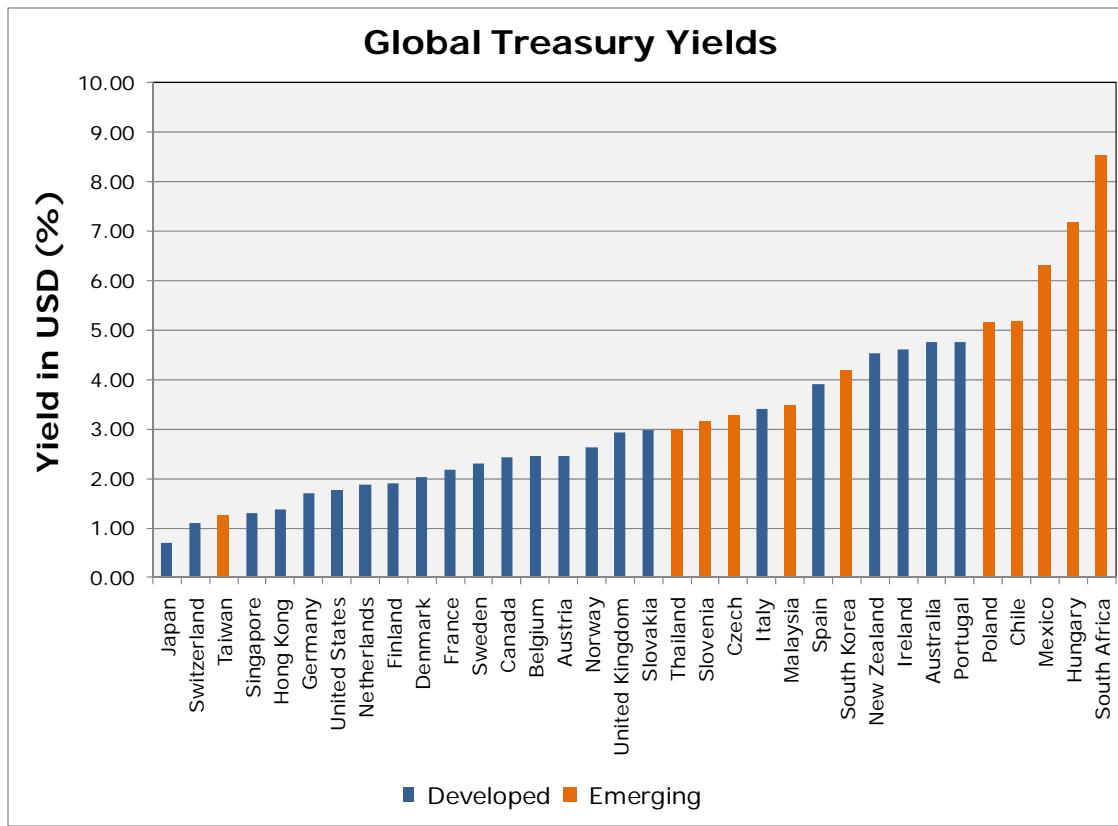


# Yield on Barclays Aggregate Index



# Global Fixed Income

- Australia and New Zealand: Yields moving higher on hope of Asian recovery.
- Portugal and Ireland (along with Greece) have been downgraded.
- Possibility of downgrade for Spain. Italy not under imminent threat of downgrade.
- Yields on other developed market government bonds remain low.



# Total Fixed Income – Performance

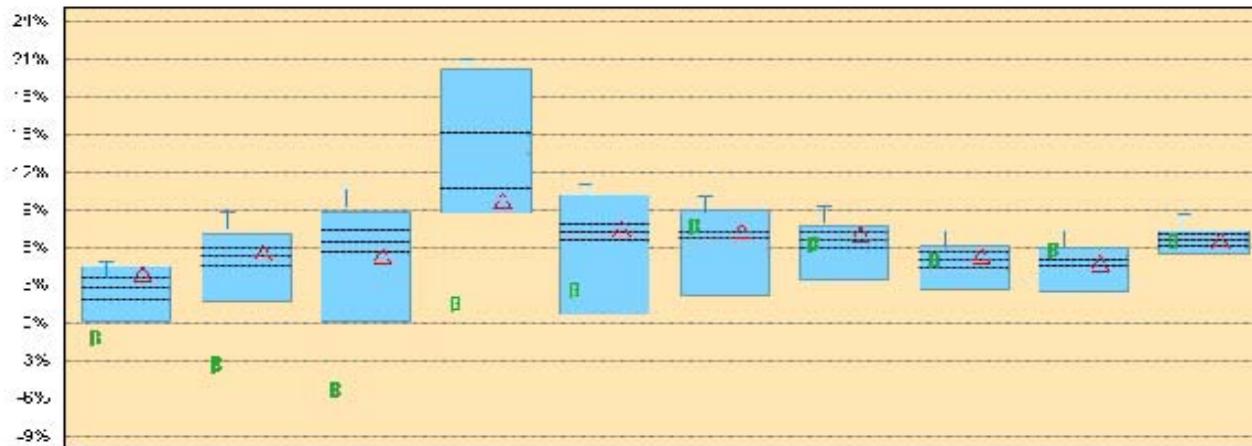
|   | <b>Market Value</b> | <b>Qtr</b>   | <b>1 Year</b> | <b>3 Year</b> | <b>5 Year</b> | <b>10 Year</b> | <b>VaR<sup>36</sup></b> | <b>5-year Sharpe Ratio<sup>37</sup></b> | <b>5-year Info Ratio<sup>38</sup></b> |
|---|---------------------|--------------|---------------|---------------|---------------|----------------|-------------------------|---|---------------------------------------|
| <b>Total Fixed Income</b>                     | <b>46.6</b>         | <b>4.2%</b>  | <b>20.3%</b>  | <b>9.5%</b>   | <b>6.7%</b>   | <b>8.0%</b>    | <b>\$2.8 bil</b>        | <b>0.6</b>                              | <b>0.2</b>                            |
| <i>Fixed Income Policy Index<sup>33</sup></i> |                     | 5.3%         | 12.5%         | 9.0%          | 6.0%          | 7.4%           |                         | <b>0.5</b>                              | <b>0.0</b>                            |
| <i>Value Added</i>                            |                     | -1.1%        | 7.8%          | 0.5%          | 0.7%          | 0.6%           |                         |   |                                       |
| <b>U.S. Fixed Income</b>                      | <b>43.5</b>         | <b>4.7%</b>  | <b>21.7%</b>  | <b>9.4%</b>   | <b>6.8%</b>   | <b>8.1%</b>    |                         | <b>0.6</b>                              | <b>0.2</b>                            |
| <i>Policy Index<sup>34</sup></i>              |                     | 5.8%         | 13.4%         | 9.0%          | 6.0%          | 7.5%           |                         | <b>0.5</b>                              | <b>0.0</b>                            |
| <i>Value Added</i>                            |                     | -1.1%        | 8.3%          | 0.4%          | 0.8%          | 0.6%           |                         |   |                                       |
| <b>Non-U.S. Fixed Income</b>                  | <b>3.1</b>          | <b>-0.3%</b> | <b>7.4%</b>   | <b>8.7%</b>   | <b>5.6%</b>   | <b>6.9%</b>    |                         | <b>0.3</b>                              | <b>0.3</b>                            |
| <i>Policy Index<sup>35</sup></i>              |                     | -1.0%        | 2.2%          | 7.5%          | 5.0%          | 6.5%           |                         | <b>0.3</b>                              | <b>0.0</b>                            |
| <i>Value Added</i>                            |                     | 0.7%         | 5.2%          | 1.2%          | 0.6%          | 0.4%           |                         |   |                                       |

# Total Fixed Income – Universe Comparison



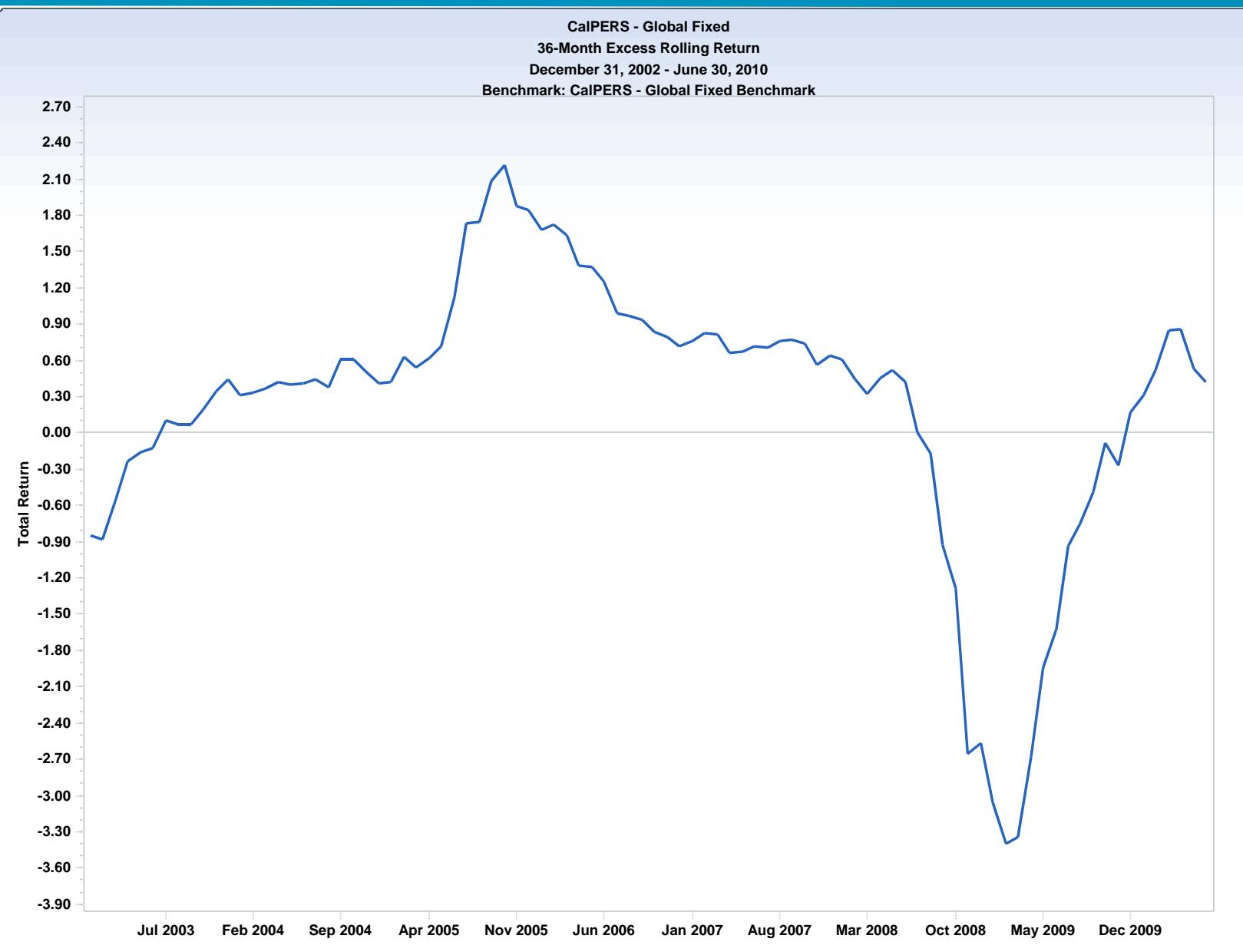
## California Public Employees Retirement Performance Comparison

Total Fixed Income Returns of Public Funds > \$10 Billion  
Cumulative Periods Ending : June 30, 2010

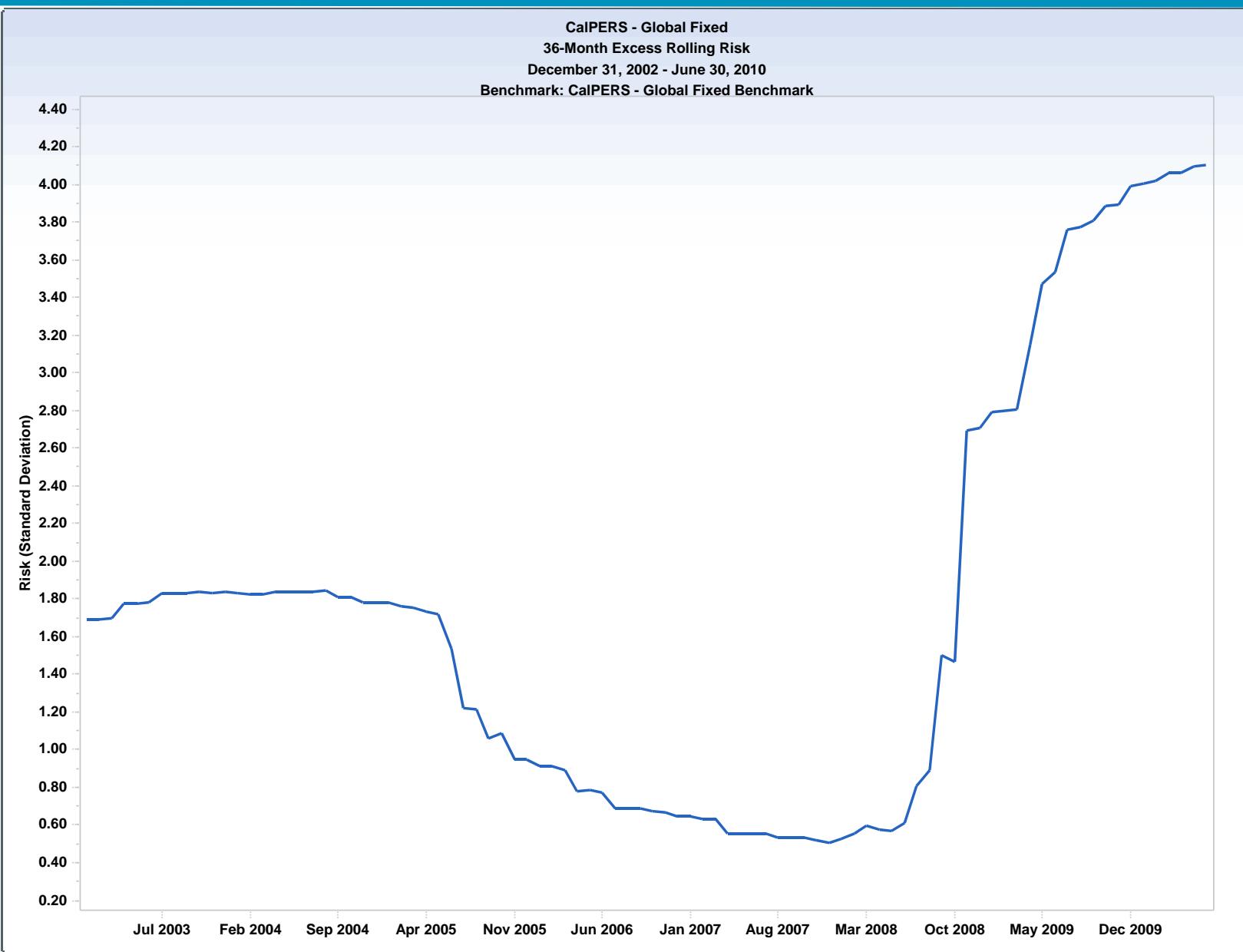


| Percentile Rankings    | 1 Qtr       | 2 Qtrs      | 3 Qtrs      | 1 Year     | 2 Years   | 3 Years   | 4 Years   | 5 Years   | 7 Years   | 10 Years  |
|------------------------|-------------|-------------|-------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| 5th                    | 4.43        | 7.04        | 8.81        | 20.23      | 10.18     | 9.00      | 7.72      | 6.19      | 6.02      | 7.36      |
| 25th                   | 3.63        | 5.98        | 7.41        | 15.10      | 7.95      | 7.22      | 7.20      | 5.68      | 5.44      | 7.11      |
| 50th                   | 2.86        | 5.30        | 6.44        | 13.53      | 7.21      | 6.76      | 6.61      | 5.12      | 5.12      | 6.59      |
| 75th                   | 1.83        | 4.55        | 5.63        | 10.73      | 6.61      | 5.93      | 6.02      | 4.38      | 4.56      | 6.12      |
| 95th                   | 0.10        | 1.69        | 0.07        | 8.70       | 0.62      | 2.20      | 3.41      | 2.71      | 2.49      | 5.51      |
| No. Of Obs             | 31          | 31          | 30          | 28         | 26        | 25        | 24        | 23        | 21        | 20        |
| Total Plan - Composite | 4.22 (9)    | 8.29 (1)    | 10.02 (1)   | 20.36 (1)  | 10.36 (1) | 9.47 (1)  | 8.76 (1)  | 6.72 (1)  | 6.67 (1)  | 8.01 (1)  |
| Barclays Govt/Credit   | 3.88 (12)   | 5.49 (43)   | 5.27 (85)   | 9.65 (83)  | 7.44 (41) | 7.37 (17) | 7.03 (37) | 5.26 (41) | 4.67 (70) | 6.48 (55) |
| Citigroup Non-US Govt  | -1.26 (100) | -3.34 (100) | -5.41 (100) | 1.52 (100) | 2.52 (83) | 7.66 (13) | 6.27 (62) | 4.98 (60) | 5.74 (5)  | 6.44 (60) |

# Total Fixed Income – Rolling Excess Returns



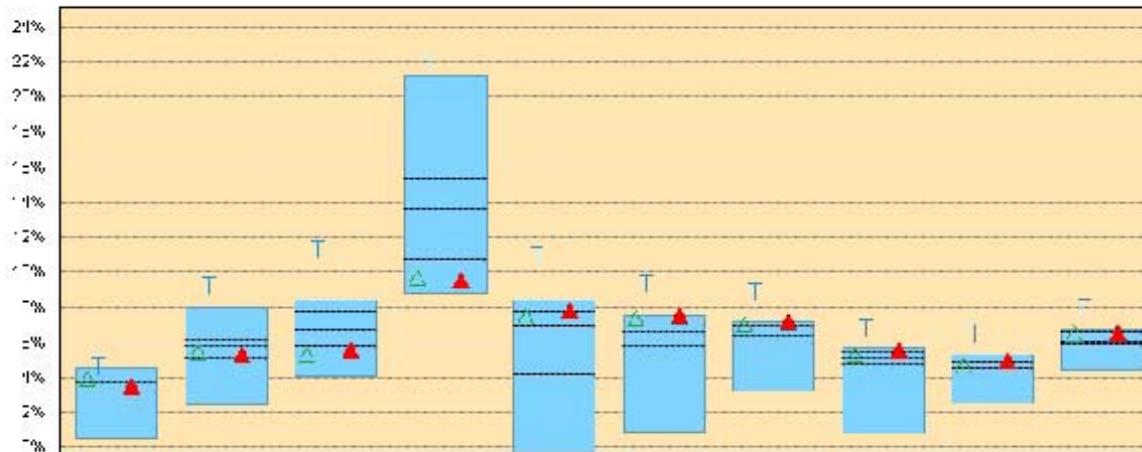
# Total Fixed Income – Rolling Tracking Error



# US Fixed Income – Universe Comparison

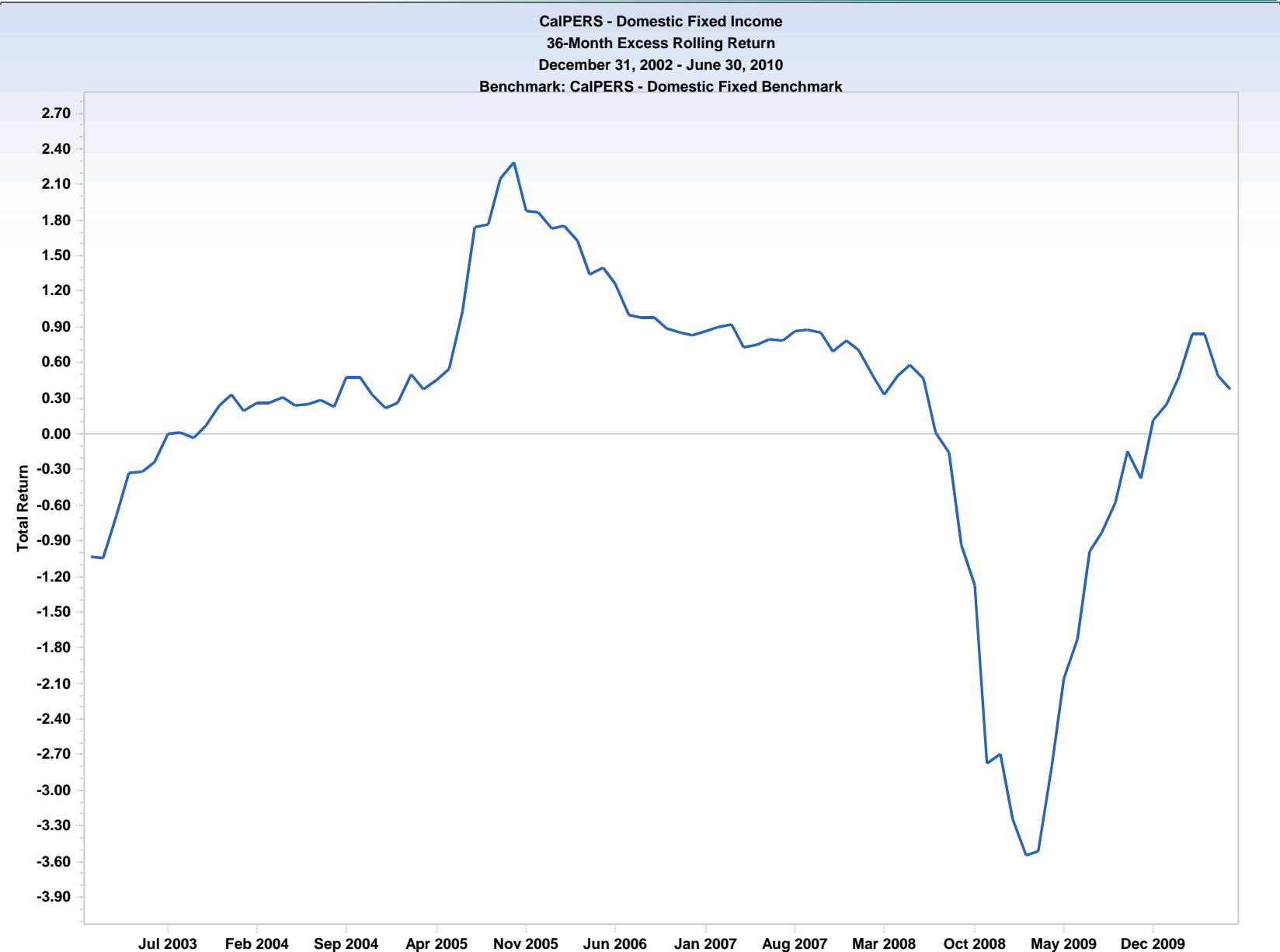
## California Public Employees Retirement Performance Comparison

US Fixed Income Returns of Public Funds > \$10 Billion  
Cumulative Periods Ending : June 30, 2010



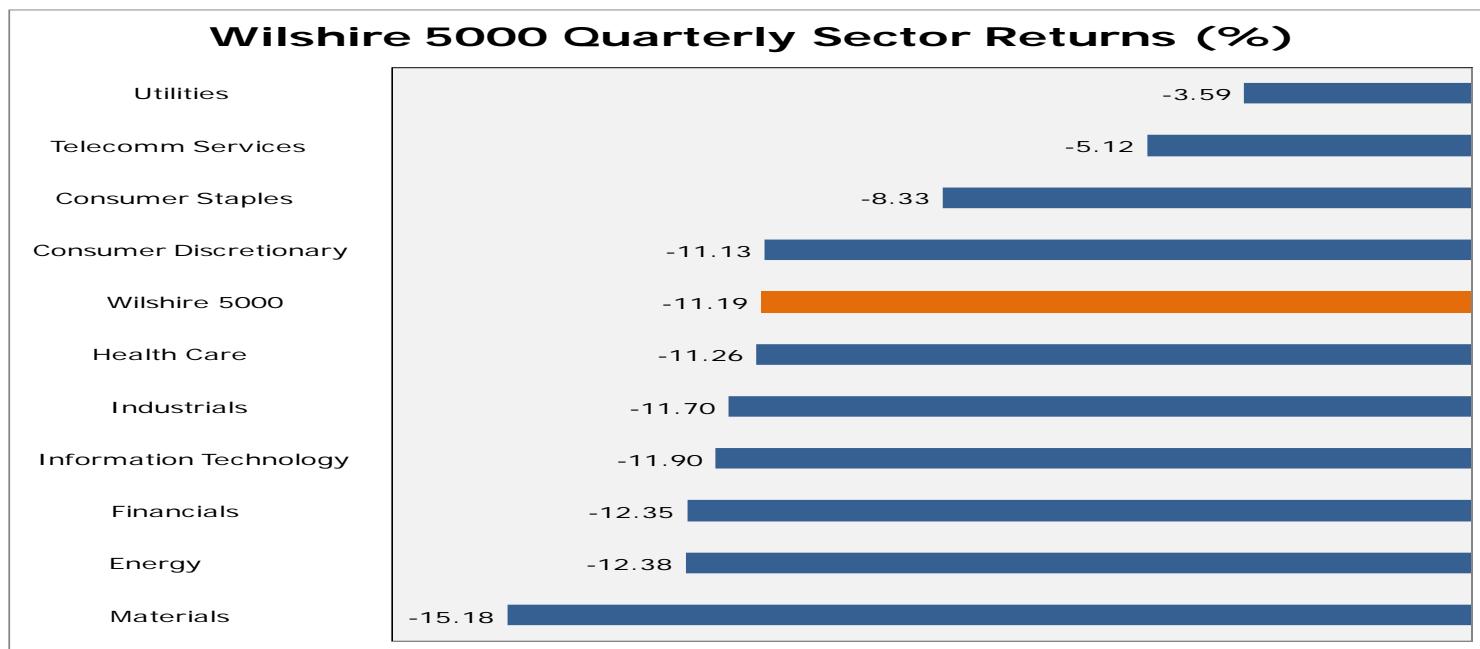
| Percentile Rankings    | 1 Qtr     | 2 Qtrs    | 3 Qtrs    | 1 Year    | 2 Years   | 3 Years  | 4 Years   | 5 Years   | 7 Years   | 10 Years  |
|------------------------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|
| 5th                    | 4.53      | 7.94      | 8.38      | 21.24     | 8.39      | 7.49     | 7.22      | 5.74      | 5.26      | 6.74      |
| 25th                   | 3.70      | 6.12      | 7.80      | 15.40     | 7.75      | 7.00     | 6.91      | 5.42      | 5.25      | 6.59      |
| 50th                   | 3.21      | 5.77      | 6.78      | 13.61     | 6.93      | 6.56     | 6.39      | 5.14      | 4.88      | 6.05      |
| 75th                   | 2.56      | 5.11      | 5.81      | 10.70     | 4.17      | 5.78     | 5.95      | 4.75      | 4.53      | 5.93      |
| 95th                   | 0.59      | 2.47      | 4.05      | 8.79      | -0.39     | 0.88     | 3.24      | 0.84      | 2.53      | 4.47      |
| No. Of Obs             | 30        | 30        | 29        | 27        | 23        | 21       | 20        | 18        | 15        | 15        |
| Total Plan - Composite | 4.65 (1)  | 9.24 (1)  | 11.29 (1) | 21.73 (1) | 10.96 (1) | 9.44 (1) | 8.91 (1)  | 6.80 (1)  | 6.60 (1)  | 8.07 (1)  |
| Barclays Aggregate     | 3.49 (35) | 5.33 (64) | 5.54 (87) | 9.50 (91) | 7.76 (20) | 7.55 (1) | 7.19 (5)  | 5.54 (12) | 4.96 (43) | 6.47 (31) |
| Barclays Govt/Credit   | 3.88 (18) | 5.49 (64) | 5.27 (87) | 9.65 (91) | 7.44 (37) | 7.37 (5) | 7.03 (18) | 5.26 (43) | 4.67 (50) | 6.48 (31) |

# US Fixed Income – Rolling Excess Returns



# U.S. Capital Markets: Equity

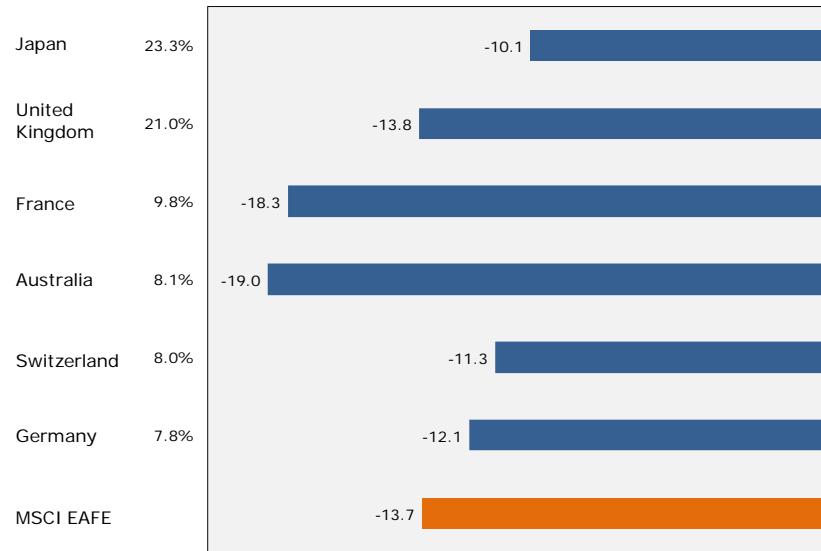
| June 30, 2010                 | Qtr   | Ytd  | 1 Yr | 3 Yr  | 5 Yr | 10 Yr |
|-------------------------------|-------|------|------|-------|------|-------|
| Wilshire 5000                 | -11.2 | -5.8 | 15.7 | -9.4  | -0.3 | -0.8  |
| Wilshire U.S. Large Cap       | -11.4 | -6.4 | 14.4 | -9.5  | -0.5 | -1.4  |
| Wilshire U.S. Small Cap       | -9.8  | -1.0 | 26.9 | -6.7  | 2.2  | 4.3   |
| Wilshire U.S. Large Growth    | -12.9 | -8.7 | 13.4 | -7.1  | 0.5  | -4.6  |
| Wilshire U.S. Large Value     | -9.9  | -4.1 | 15.3 | -12.1 | -1.6 | 2.0   |
| Wilshire U.S. Small Growth    | -8.4  | -0.8 | 23.6 | -6.4  | 2.7  | 0.1   |
| Wilshire U.S. Small Value     | -11.1 | -1.3 | 30.3 | -7.1  | 1.7  | 8.3   |
| Wilshire REIT Index           | -4.2  | 5.2  | 55.5 | -10.3 | -0.4 | 9.7   |
| Dow Jones UBS Commodity Index | -4.8  | -9.6 | 2.7  | -8.4  | -1.3 | 4.4   |



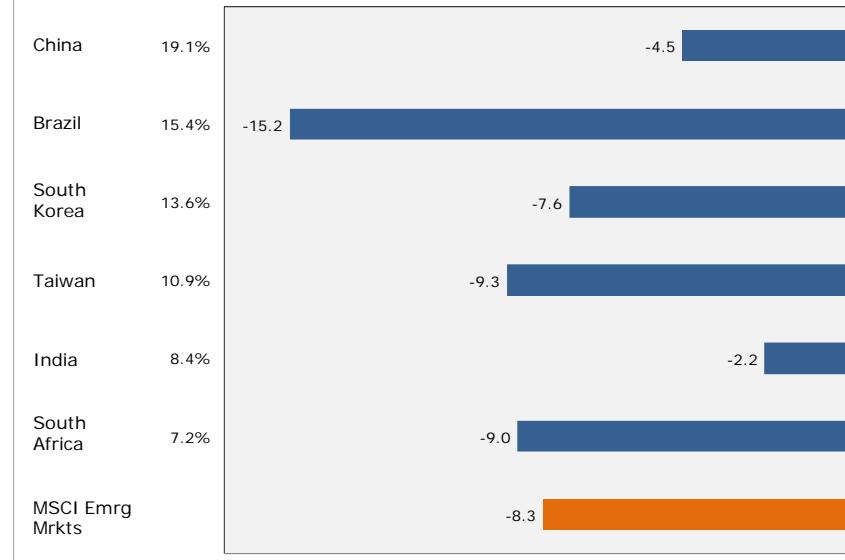
# Non-U.S. Capital Markets

| June 30, 2010                 | Qtr   | Ytd   | 1 Yr  | 3 Yr  | 5 Yr | 10 Yr |
|-------------------------------|-------|-------|-------|-------|------|-------|
| MSCI ACWI ex-US (\$g)         | -12.3 | -10.8 | 10.9  | -10.3 | 3.8  | 2.3   |
| MSCI EAFE (\$g)               | -13.7 | -12.9 | 6.4   | -12.9 | 1.3  | 0.6   |
| MSCI Emerging Markets (\$g)   | -8.3  | -6.0  | 23.5  | -2.2  | 13.1 | 10.3  |
| MSCI Frontier Markets (\$g)   | -9.7  | 0.7   | 3.9   | -15.7 | -5.5 | n.a.  |
| JPM Non US Global Bond        | 0.0   | -1.9  | 2.9   | 8.5   | 5.3  | 6.7   |
| JPM Non US Global Bond Hedged | 2.3   | 3.5   | 5.8   | 6.3   | 4.6  | 5.3   |
| JPM EMBI Global               | 1.2   | 5.4   | 17.9  | 8.2   | 8.2  | 10.4  |
| Euro vs. Dollar               | -9.5  | -14.6 | -12.9 | -3.3  | 0.1  | 2.5   |
| Yen vs. Dollar                | 5.6   | 5.2   | 9.0   | 11.8  | 4.6  | 1.9   |
| Pound vs. Dollar              | -1.4  | -7.4  | -9.2  | -9.4  | -3.6 | -0.1  |

**MSCI EAFE: Largest Countries and Return**



**MSCI EM: Largest Countries and Return**

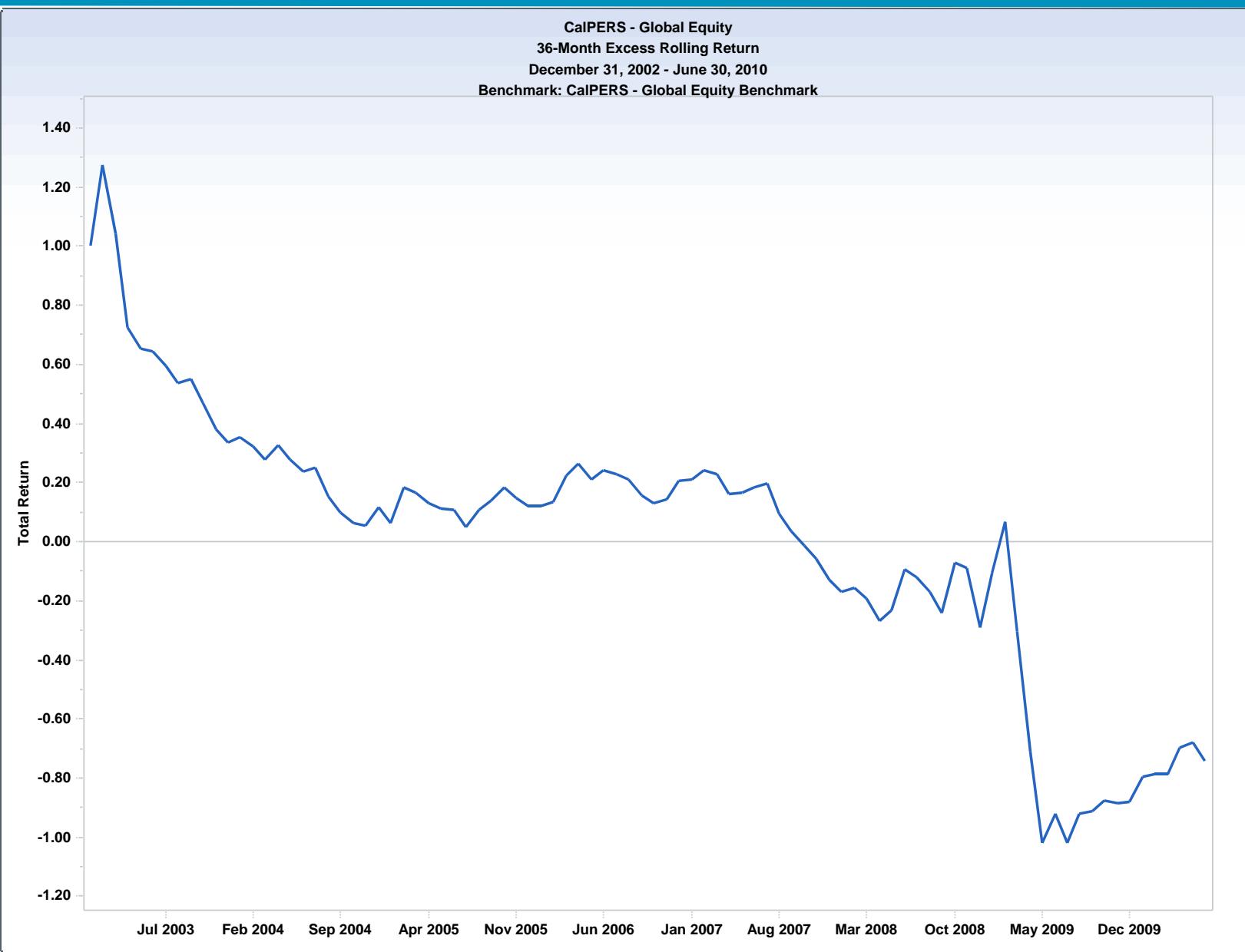


# Global Equity – Performance

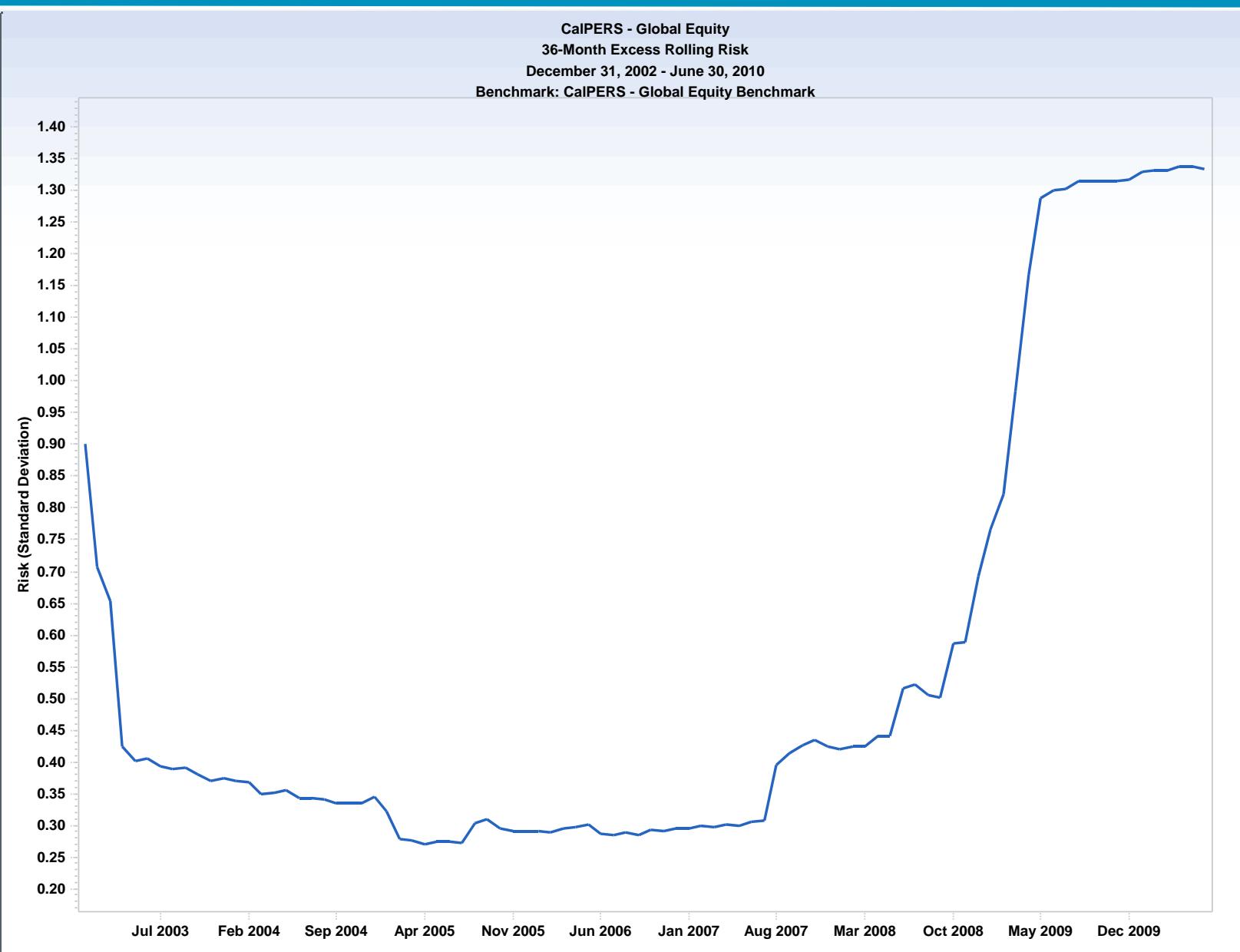


|  | Market Value |               |              |               |              |              |                   |             | 5-year Sharpe Ratio <sup>21</sup> | 5-year Info Ratio <sup>22</sup> |
|--|--------------|---------------|--------------|---------------|--------------|--------------|-------------------|-------------|-----------------------------------|---------------------------------|
|  |              | Qtr           | 1 Year       | 3 Year        | 5 Year       | 10 Year      | Var <sup>20</sup> |             |                                   |                                 |
| <b>TOTAL GLOBAL EQUITY EX-AIM &amp; EX CURRENCY OVERLAY<sup>15</sup></b> | <b>99.0</b>  | <b>-11.0%</b> | <b>14.4%</b> | <b>-10.0%</b> | <b>0.9%</b>  | <b>0.3%</b>  | <b>\$17.3 bil</b> | <b>-0.1</b> | <b>-0.4</b>                       |                                 |
| <i>Equity Policy Index<sup>16</sup></i>                                  |              | -11.1%        | 13.8%        | -9.3%         | 1.3%         | 0.2%         |                   | -0.1        | 0.0                               |                                 |
| <i>Value Added</i>   |              | 0.1%          | 0.6%         | -0.7%         | -0.4%        | 0.1%         |                   |             |                                   |                                 |
| <b>US Equity Composite</b>   | <b>35.6</b>  | <b>-11.1%</b> | <b>16.7%</b> | <b>-9.5%</b>  | <b>-0.4%</b> | <b>-0.8%</b> |                   | <b>-0.2</b> | <b>-0.1</b>                       |                                 |
| <i>PERS Wilshire 2500 Index</i>  |              | -11.2%        | 15.7%        | -9.3%         | -0.4%        | -1.1%        |                   | -0.2        | 0.0                               |                                 |
| <i>Value Added</i>   |              | 0.1%          | 1.0%         | -0.2%         | 0.0%         | 0.3%         |                   |             |                                   |                                 |
| <b>Total Intl Equity ex-AIM &amp; ex-Currency overlay</b>                | <b>49.3</b>  | <b>-11.9%</b> | <b>12.8%</b> | <b>-10.2%</b> | <b>3.9%</b>  | <b>2.3%</b>  |                   | <b>0.1</b>  | <b>0.7</b>                        |                                 |
| <i>PERS Custom Index<sup>17</sup></i>                                    |              | -12.7%        | 9.6%         | -10.9%        | 3.3%         | 1.8%         |                   | 0.0         | 0.0                               |                                 |
| <i>Value Added</i>   |              | 0.8%          | 3.2%         | 0.7%          | 0.6%         | 0.5%         |                   |             |                                   |                                 |
| <b>Global Equity Equitization</b>  | <b>4.5</b>   | <b>-13.2%</b> | <b>9.8%</b>  | <b>-.-%</b>   | <b>-.-%</b>  | <b>-.-%</b>  |                   |             |                                   |                                 |
| <i>PERS Custom Index</i>   |              | -11.0%        | 14.0%        | -.-%          | -.-%         | -.-%         |                   |             |                                   |                                 |
| <i>Value Added</i>   |              | -2.2%         | -.-%         | -.-%          | -.-%         | -.-%         |                   |             |                                   |                                 |
| <b>RM ARS Program</b>  | <b>5.5</b>   | <b>-0.8%</b>  | <b>9.8%</b>  | <b>-1.9%</b>  | <b>4.2%</b>  | <b>-.-%</b>  |                   | <b>0.2</b>  | <b>-0.6</b>                       |                                 |
| <i>Policy Index<sup>18</sup></i>   |              | 1.5%          | 6.0%         | 8.3%          | 8.7%         | -.-%         |                   | 6.3         | 0.0                               |                                 |
| <i>Value Added</i>   |              | -2.3%         | 3.8%         | -10.2%        | -4.5%        | -.-%         |                   |             |                                   |                                 |
| <b>Corporate Governance</b>  | <b>4.2</b>   | <b>-9.4%</b>  | <b>14.3%</b> | <b>-13.1%</b> | <b>-1.1%</b> | <b>5.8%</b>  |                   | <b>-0.2</b> | <b>-0.2</b>                       |                                 |
| <i>Policy Index<sup>19</sup></i>   |              | -10.6%        | 8.1%         | -11.8%        | -0.1%        | 0.3%         |                   | -0.2        | 0.0                               |                                 |
| <i>Value Added</i>   |              | 1.2%          | 6.2%         | -1.3%         | -1.0%        | 5.5%         |                   |             |                                   |                                 |

# Global Equity – Rolling Excess Returns



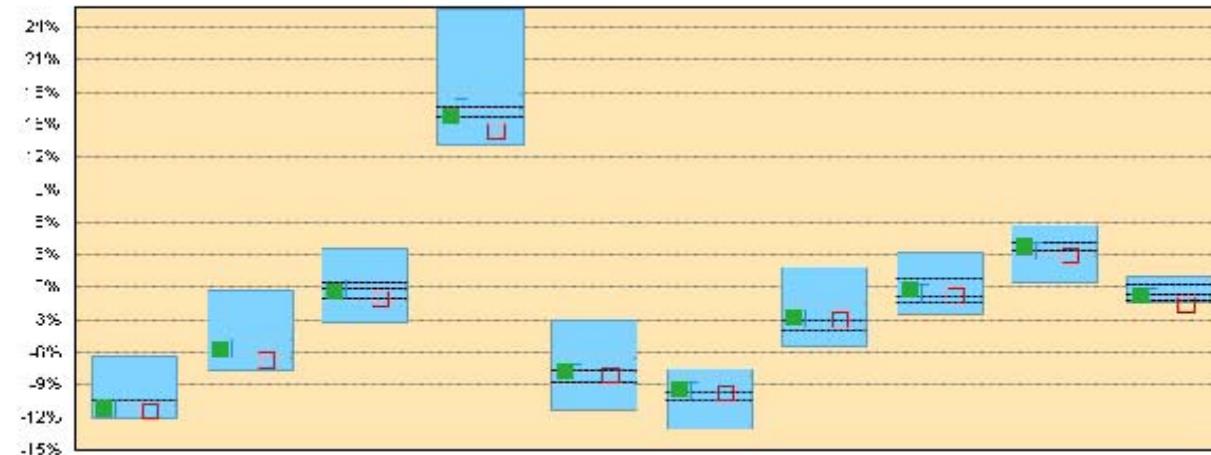
# Global Equity – Rolling Tracking Error



# US Equity – Universe Comparison

## California Public Employees Retirement Performance Comparison

US Equity Returns of Public Funds > \$10 Billion  
Cumulative Periods Ending : June 30, 2010

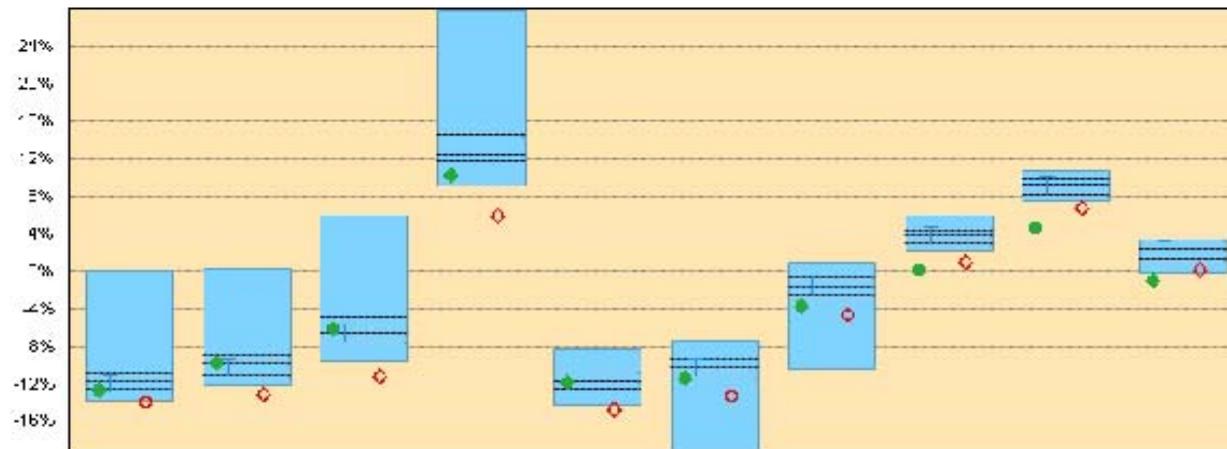


| Percentile Rankings    | 1 Qtr       | 2 Qtrs     | 3 Qtrs     | 1 Year     | 2 Years    | 3 Years    | 4 Years    | 5 Years    | 7 Years   | 10 Years   |
|------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|-----------|------------|
| 5th                    | -6.34       | -0.29      | 3.60       | 25.66      | -3.03      | -7.53      | 1.75       | 3.24       | 5.72      | 0.97       |
| 25th                   | -10.43      | -4.86      | 0.49       | 17.86      | -6.40      | -8.05      | -1.44      | 0.83       | 4.16      | 0.35       |
| 50th                   | -10.82      | -5.84      | -0.08      | 16.52      | -7.71      | -9.56      | -2.96      | -0.79      | 3.28      | -0.61      |
| 75th                   | -11.44      | -6.46      | -1.05      | 15.77      | -8.80      | -10.45     | -3.94      | -1.35      | 2.97      | -1.15      |
| 99th                   | -12.04      | -7.74      | -3.33      | 13.13      | -11.25     | -13.05     | -5.54      | -2.41      | 0.37      | -1.31      |
| No. Of Obs             | 30          | 30         | 29         | 27         | 23         | 19         | 19         | 17         | 14        | 13         |
| Total Plan - Composite | -11.06 (53) | -5.47 (42) | 0.03 (46)  | 16.74 (42) | -7.83 (60) | -9.43 (40) | -2.72 (40) | -0.37 (31) | 3.51 (33) | -0.78 (50) |
| S&P 500                | -11.43 (71) | -6.67 (81) | -1.03 (67) | 14.40 (87) | -8.12 (65) | -9.81 (50) | -3.01 (50) | -0.79 (50) | 2.85 (75) | -1.59 (99) |
| Wilshire 5000          | -11.19 (53) | -5.83 (46) | -0.38 (50) | 15.68 (75) | -7.73 (50) | -9.36 (40) | -2.68 (40) | -0.28 (31) | 3.75 (25) | -0.78 (50) |

# International Equity – Universe Comparison

## California Public Employees Retirement Performance Comparison

Non-US Equity Returns of Public Funds > \$10 Billion  
Cumulative Periods Ending : June 30, 2010



| Percentile Rankings    | 1 Qtr       | 2 Qtrs      | 3 Qtrs      | 1 Year     | 2 Years     | 3 Years     | 4 Years    | 5 Years   | 7 Years   | 10 Years   |
|------------------------|-------------|-------------|-------------|------------|-------------|-------------|------------|-----------|-----------|------------|
| 5th                    | 0.00        | 0.32        | 5.88        | 27.87      | -8.41       | -7.50       | 0.95       | 5.88      | 10.74     | 3.37       |
| 25th                   | -10.88      | -9.03       | -4.93       | 14.54      | -10.86      | -9.28       | -0.76      | 4.21      | 9.98      | 3.25       |
| 50th                   | -11.81      | -9.91       | -6.57       | 12.46      | -11.72      | -10.35      | -1.61      | 3.80      | 9.24      | 2.40       |
| 75th                   | -12.60      | -11.06      | -7.65       | 11.75      | -12.54      | -11.43      | -2.55      | 3.03      | 8.12      | 1.24       |
| 95th                   | -13.77      | -12.31      | -9.75       | 9.08       | -14.31      | -19.46      | -10.48     | 2.26      | 7.42      | -0.20      |
| No. Of Obs             | 30          | 30          | 29          | 26         | 22          | 20          | 18         | 15        | 13        | 12         |
| Total Plan - Composite | -11.87 (50) | -10.12 (57) | -6.54 (46)  | 12.81 (41) | -11.63 (40) | -10.10 (40) | -1.32 (37) | 3.94 (37) | 9.31 (33) | 2.30 (50)  |
| MSCI EAFE (Net)        | -13.97 (99) | -13.23 (99) | -11.34 (99) | 5.92 (99)  | -14.73 (99) | -13.38 (93) | -4.68 (93) | 0.88 (99) | 6.67 (99) | 0.16 (87)  |
| MSCI World (Net)       | -12.67 (78) | -9.84 (46)  | -6.17 (39)  | 10.20 (91) | -11.85 (50) | -11.46 (75) | -3.76 (93) | 0.06 (99) | 4.59 (99) | -1.02 (99) |

# RM ARS – Distribution of Performance

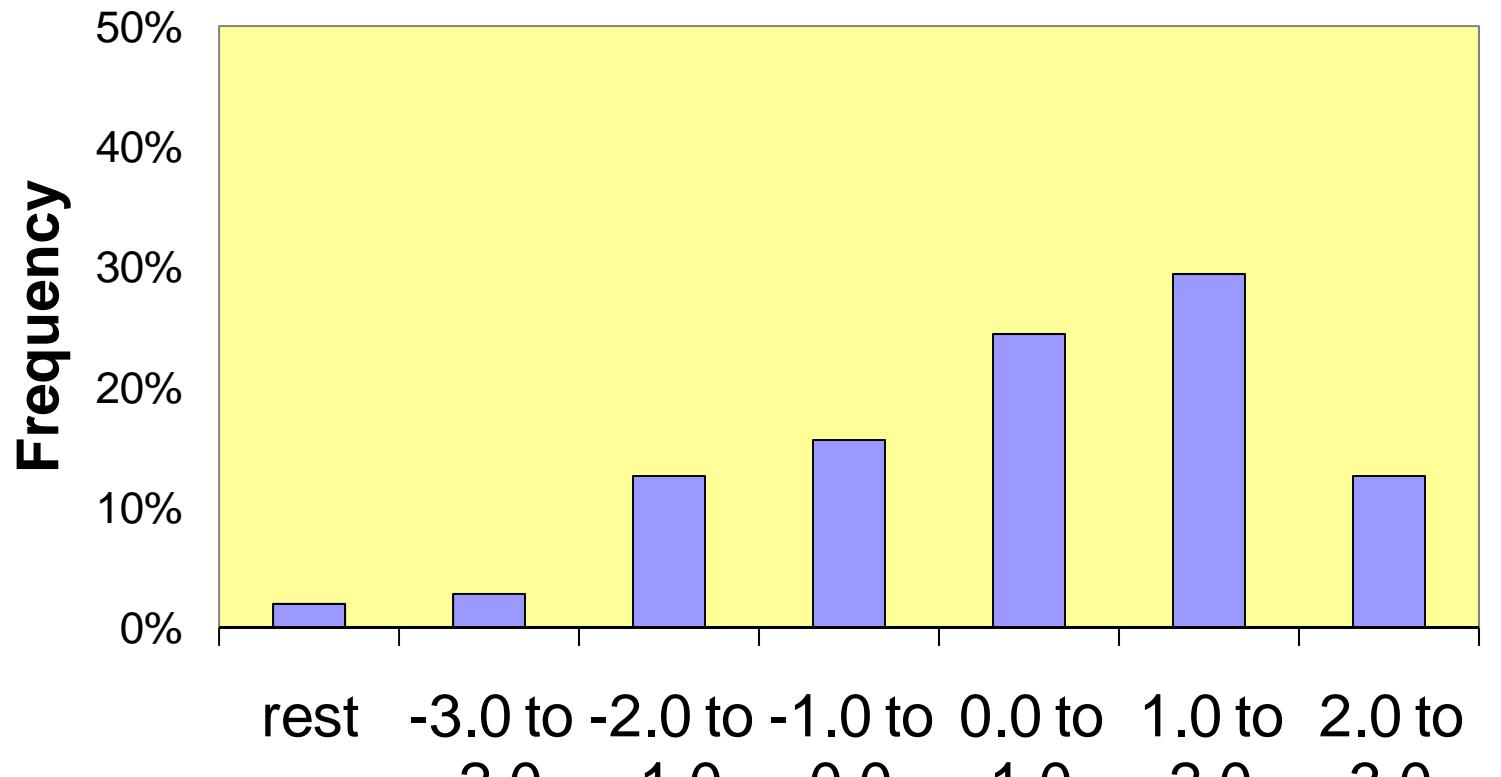


|                            | <u>Market Value</u> | <u>Qtr</u> | <u>1 Year</u> | <u>3 Year</u> | <u>5 Year</u> | <u>5-Year Info Ratio<sup>30</sup></u> | <u>5-Year Up Capture Ratio</u> | <u>5-Year Sharpe Ratio<sup>31</sup></u> | <u>5-Year Sortino Ratio<sup>32</sup></u> |
|----------------------------|---------------------|------------|---------------|---------------|---------------|---------------------------------------|--------------------------------|---|--|
| Total RM ARS Program       | 5.5                 | -0.8%      | 9.8%          | -1.9%         | 4.2%          | -0.6                                  | 0.4                            | 0.2                                     | 0.3                                      |
| Policy Index <sup>29</sup> |                     | 1.5%       | 6.0%          | 8.3%          | 8.7%          |                                       |                                |   |  |
| Value Added                |                     | -2.3%      | 3.8%          | -10.2%        | -4.5%         |                                       |                                |   |  |
| Total Direct Investments   | 4.0                 | -0.5%      | 12.3%         | -1.6%         | 4.7%          |                                       |                                |   |  |
| Total Fund of Funds        | 1.5                 | -1.5%      | 2.8%          | -1.9%         | -.-%          |                                       |                                |   |  |
| HFRI Fund of Funds Index   |                     | -2.6%      | 6.0%          | -3.0%         | 2.9%          |                                       |                                |   |  |

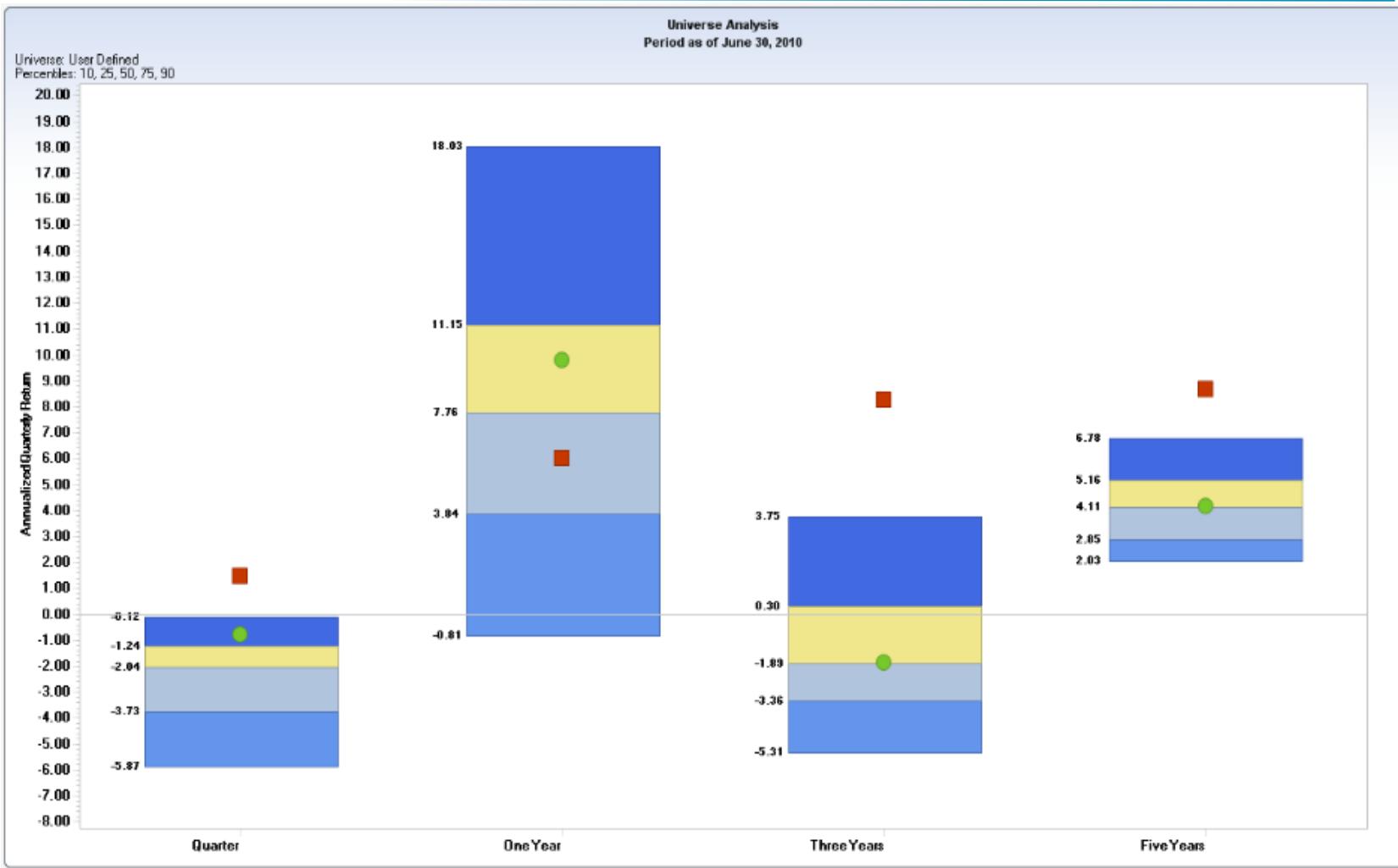
| <u>Rolling Correlations vs. Index</u>        |                                 |              |                      |                                 |                         |  |
|--|---------------------------------|--------------|----------------------|---------------------------------|-------------------------|--|
| <u>Percentage<br/>of positive<br/>Months</u> | <u>Beta vs.<br/>S&amp;P 500</u> | <u>W5000</u> | <u>PERS<br/>2500</u> | <u>Domestic<br/>Fixed Index</u> | <u>MSCI AW<br/>X US</u> |  |
| 67%  | 0.3                             | 0.1          | -0.1                 | 0.9                             | -0.1                    |  |

# RM ARS – Histogram of Monthly Returns

**CalPERS- RM ARS (net)**  
**Monthly Histogram April 2001 to June 2010**

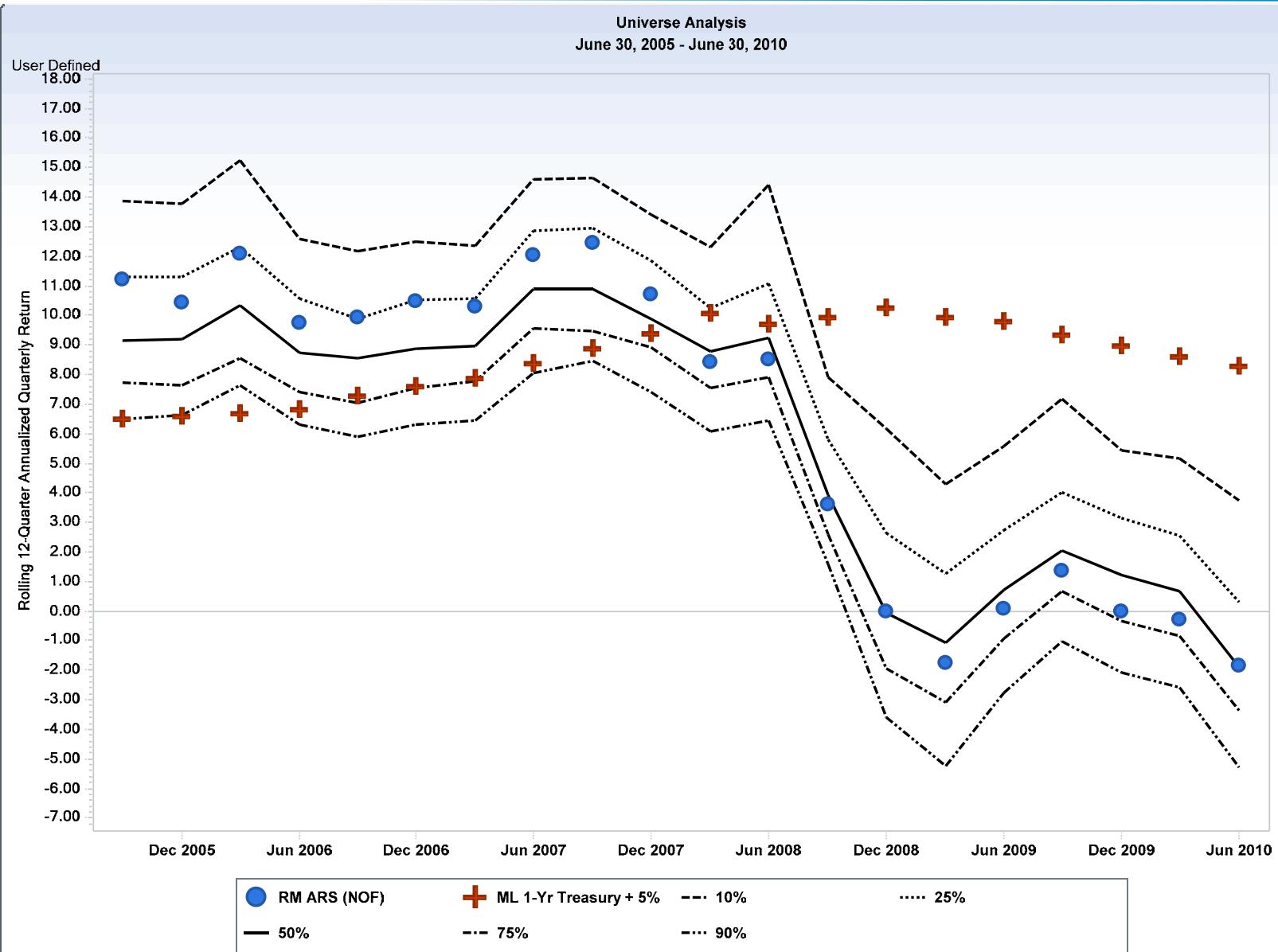


# RM ARS – Universe Comparison



|                       | Quarter      | One Year   | Three Years  | Five Years |
|-----------------------|--------------|------------|--------------|------------|
| RM ARS (HOF)          | -0.76 (-16%) | 9.82 (31%) | -1.85 (-49%) | 4.16 (49%) |
| ML 1-Yr Treasury + 5% | 1.49 (3%)    | 6.03 (64%) | 8.29 (3%)    | 8.66 (3%)  |
| # of Products         | 210          | 208        | 189          | 162        |

# RMARS – Rolling 3 Year Ranking Versus HFOF Universe



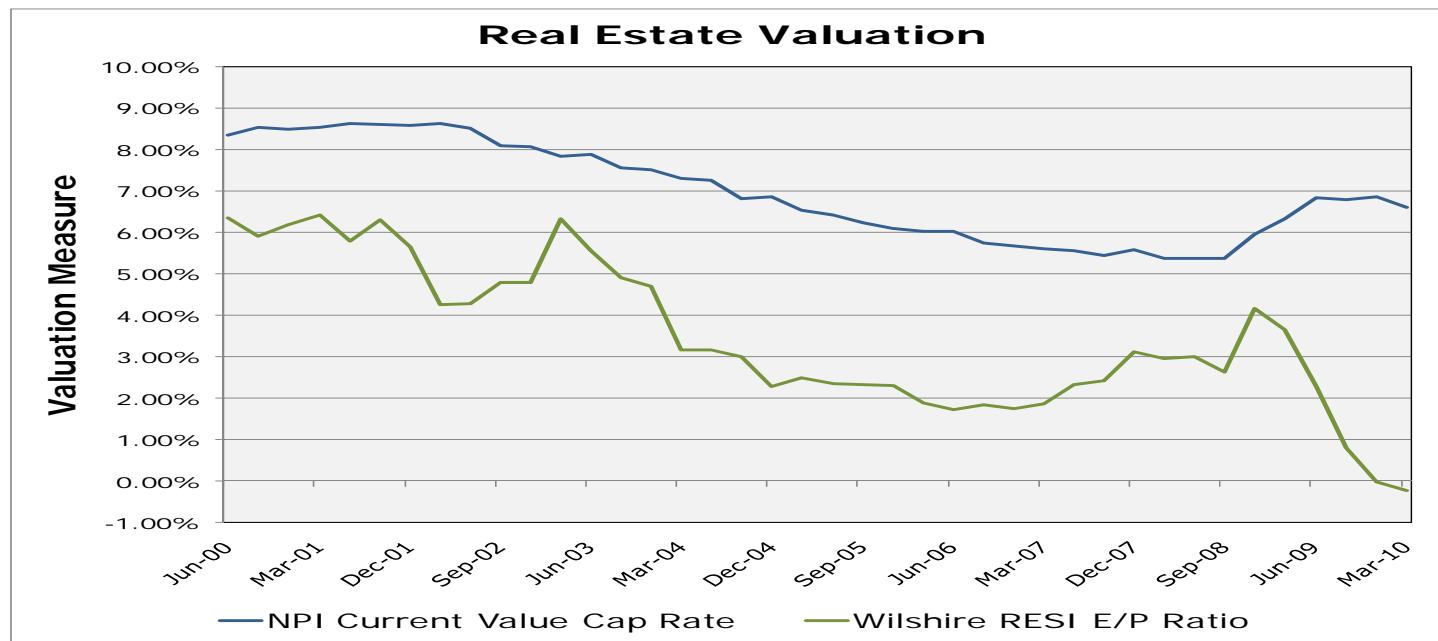
# Corporate Governance – Performance

|  | <u>Market<br/>Value</u> | <u>Qtr</u>    | <u>1 Year</u> | <u>3 Year</u> | <u>5 Year</u> | <u>10 Year</u> | <u>Date</u>  |
|--|-------------------------|---------------|---------------|---------------|---------------|----------------|--------------|
| <b>Total Corporate Governance</b>          | <b>4.2</b>              | <b>-9.4%</b>  | <b>14.3%</b>  | <b>-13.1%</b> | <b>-1.1%</b>  | <b>5.8%</b>    | <b>12/98</b> |
| <i>Policy Index</i>                        |                         | -10.6%        | 8.1%          | -11.8%        | -0.1%         | 0.3%           |              |
| <i>Value Added</i>                         |                         | 1.2%          | 6.2%          | -1.3%         | -1.0%         | 5.5%           |              |
| <b>Total Domestic Corporate Governance</b> | <b>2.3</b>              | <b>-11.3%</b> | <b>18.8%</b>  | <b>-10.4%</b> | <b>-1.7%</b>  | <b>9.6%</b>    | <b>12/98</b> |
| <i>Policy Index</i>                        |                         | -9.2%         | 15.1%         | -7.0%         | 1.0%          | -0.6%          |              |
| <i>Value Added</i>                         |                         | <b>-2.1%</b>  | <b>3.7%</b>   | <b>-3.4%</b>  | <b>-2.7%</b>  | <b>10.2%</b>   | <b>12/98</b> |
| <b>Total Int'l Corporate Governance</b>    | <b>1.9</b>              | <b>-7.2%</b>  | <b>8.1%</b>   | <b>-15.6%</b> | <b>-0.8%</b>  | <b>2.0%</b>    | <b>12/98</b> |
| <i>Policy Index</i>                        |                         | -12.5%        | -0.6%         | -16.9%        | -1.8%         | 1.2%           |              |
| <i>Value Added</i>                         |                         | <b>5.3%</b>   | <b>8.7%</b>   | <b>1.3%</b>   | <b>1.0%</b>   | <b>0.8%</b>    | <b>12/98</b> |

# Real Assets

| June 30, 2010                 | Qtr  | Ytd  | 1 Yr | 3 Yr  | 5 Yr | 10 Yr |
|-------------------------------|------|------|------|-------|------|-------|
| Barclays U.S. TIPS Index      | 3.8  | 4.4  | 9.5  | 7.6   | 5.0  | 7.5   |
| Dow Jones UBS Commodity Index | -4.8 | -9.6 | 2.7  | -8.4  | -1.3 | 4.4   |
| Global Public Real Estate*    | -6.2 | -1.2 | 39.0 | -12.9 | -0.9 | 9.1   |
| NCREIF Property Index         | 3.3  | 4.1  | -1.5 | -4.7  | 3.8  | 7.2   |
| NCREIF Timberland Index       | 1.1  | 0.8  | -3.5 | 6.1   | 9.9  | 7.1   |
| S&P MLP Index (Oil & Gas)     | 3.1  | 11.5 | 47.6 | 3.5   | 9.5  | n.a.  |

\* Wilshire Global Real Estate Securities from June, 2000 to December, 2004. Wilshire Global REITs from 2004 to present.

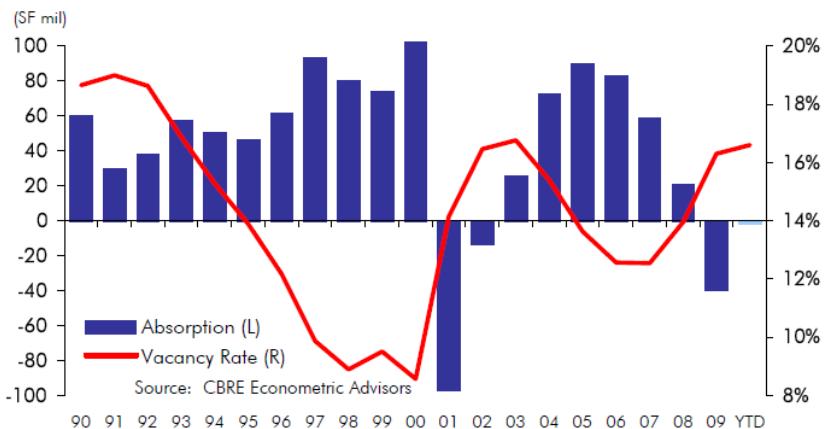


# ILAC – Performance

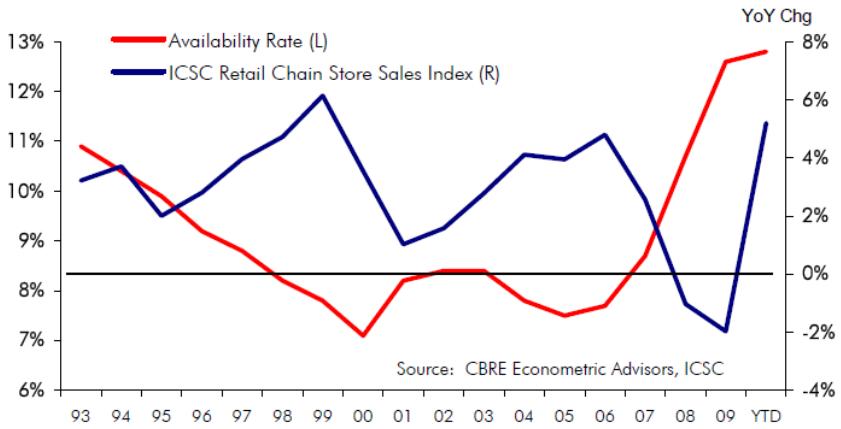
|  | <b>Market<br/>Value</b> | <b>Qtr</b>    | <b>1 Year</b> | <b>3 Year</b> | <b>5 Year</b> | <b>10 Year</b> | <b>Date</b> |
|--|-------------------------|---------------|---------------|---------------|---------------|----------------|-------------|
| <b>Inflation Linked</b>                            | <b>4.9</b>              | <b>-1.0%</b>  | <b>2.7%</b>   | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>    | <b>9/07</b> |
| <i>CPI + 400 BP ***</i>                            |                         | 1.7%          | 6.1%          | -.-%          | -.-%          | -.-%           |             |
| <i>Value Added</i>                                 |                         | -2.7%         | -3.4%         | -.-%          | -.-%          | -.-%           |             |
| <b>Total Inflation Linked ex-Commodities</b>       | <b>4.1</b>              | <b>1.0%</b>   | <b>4.1%</b>   | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>    | <b>9/07</b> |
| <i>CPI + 400 BP ***</i>                            |                         | 1.7%          | 6.1%          | -.-%          | -.-%          | -.-%           |             |
| <i>Value Added</i>                                 |                         | -0.7%         | -2.0%         | -.-%          | -.-%          | -.-%           |             |
| <b>Commodities Collateral</b>                      | <b>0.8</b>              | <b>0.1%</b>   | <b>0.3%</b>   | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>    | <b>9/07</b> |
| <i>Blended LIBOR Fed Fund Index</i>                |                         | 0.1%          | 0.2%          | -.-%          | -.-%          | -.-%           |             |
| <i>Value Added</i>                                 |                         | 0.0%          | 0.1%          | -.-%          | -.-%          | -.-%           |             |
| <b>Commodities Overlay**</b>                       | <b>-3.8</b>             | <b>-10.1%</b> | <b>-4.2%</b>  | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>    | <b>9/07</b> |
| <i>Goldman Sachs Commodity Excess Return Index</i> |                         | -10.4%        | -5.6%         | -.-%          | -.-%          | -.-%           |             |
| <i>Value Added</i>                                 |                         | 0.3%          | 1.4%          | -.-%          | -.-%          | -.-%           |             |
| <b>Forestand*</b>                                  | <b>2.4</b>              | <b>0.1%</b>   | <b>1.3%</b>   | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>    | <b>9/07</b> |
| <i>CPI + 500 BP ***</i>                            |                         | 1.9%          | 6.2%          | -.-%          | -.-%          | -.-%           |             |
| <i>Value Added</i>                                 |                         | -1.8%         | -4.9%         | -.-%          | -.-%          | -.-%           |             |
| <b>Inflation Linked Bonds</b>                      | <b>1.5</b>              | <b>1.2%</b>   | <b>5.8%</b>   | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>    | <b>3/08</b> |
| <i>Barclays Inflation Linked Bonds Index</i>       |                         | 1.1%          | 5.6%          | -.-%          | -.-%          | -.-%           |             |
| <i>Value Added</i>                                 |                         | 0.1%          | 0.2%          | -.-%          | -.-%          | -.-%           |             |
| <b>Infrastructure*</b>                             | <b>0.3</b>              | <b>7.4%</b>   | <b>42.6%</b>  | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>    | <b>9/07</b> |
| <i>CPI + 500 BP ***</i>                            |                         | 1.9%          | 6.2%          | -.-%          | -.-%          | -.-%           |             |
| <i>Value Added</i>                                 |                         | 5.5%          | 36.4%         | -.-%          | -.-%          | -.-%           |             |

# Commercial Property (as of Q1 2010)

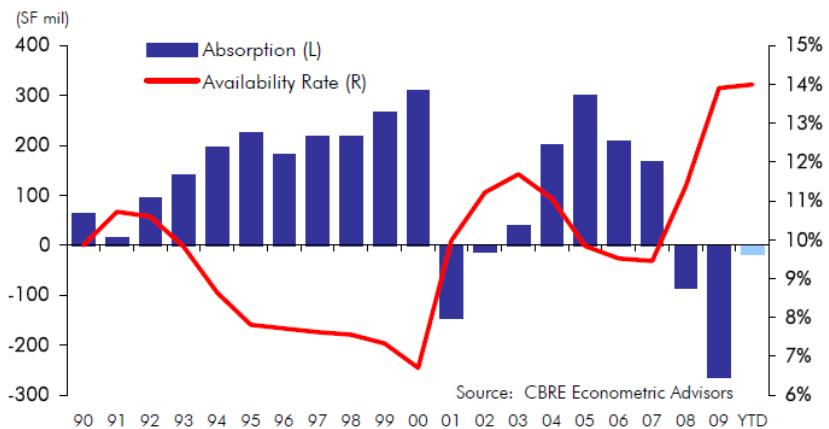
## Office



## Retail



## Industrial



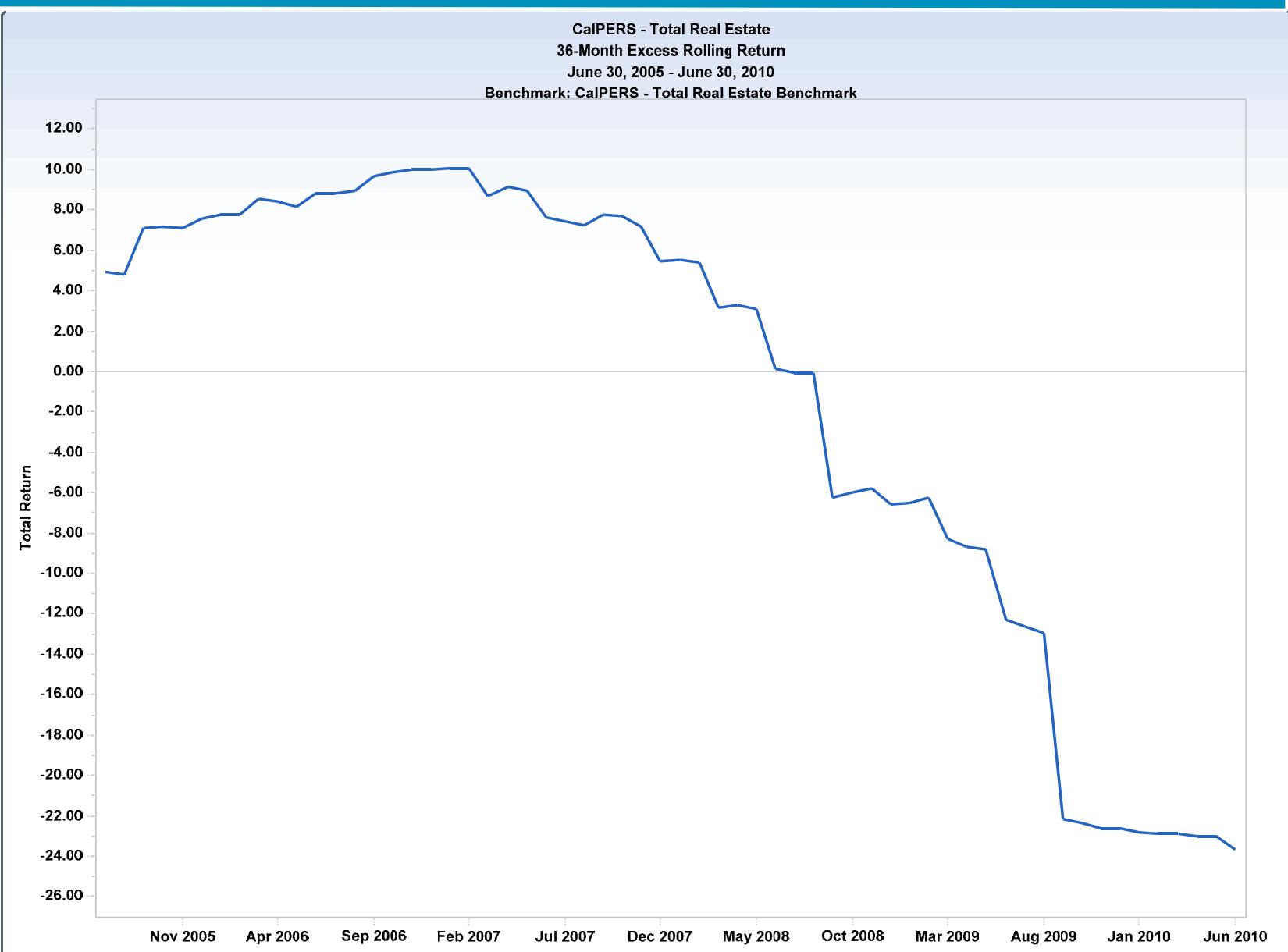
## Apartment



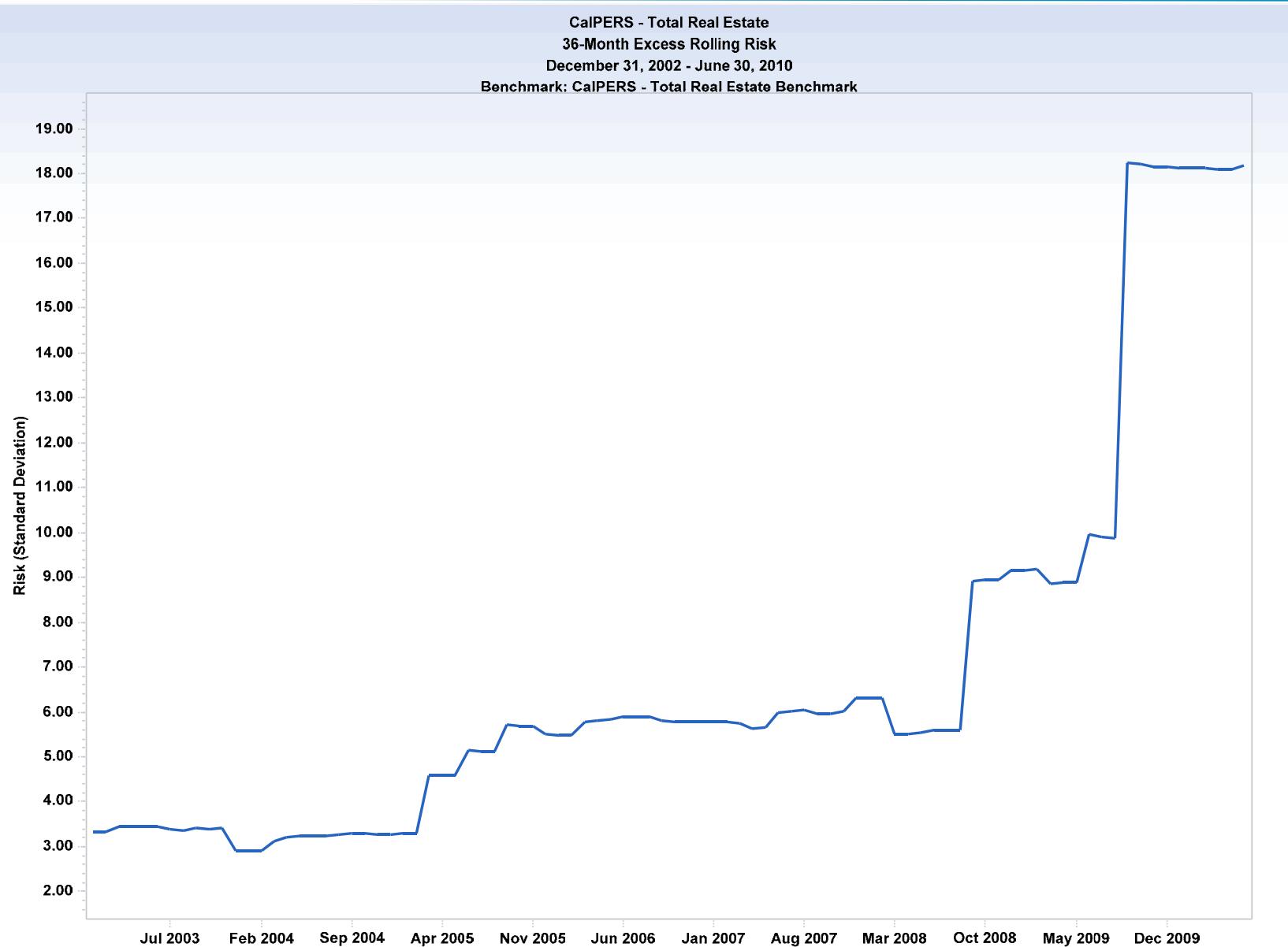
# Real Estate – Performance

|   | Market Value | Qtr          | 1 Year        | 3 Year        | 5 Year        | 10 Year      | VaR <sup>47</sup> | 5-year Sharpe Ratio <sup>48</sup> |
|---|--------------|--------------|---------------|---------------|---------------|--------------|-------------------|-----------------------------------|
| <b>Total Real Estate<sup>45</sup></b>   | <b>14.9</b>  | <b>-5.1%</b> | <b>-37.1%</b> | <b>-25.6%</b> | <b>-8.6%</b>  | <b>2.2%</b>  | <b>\$2.3 bil</b>  | <b>-0.6</b>                       |
| <i>Policy Index<sup>46</sup></i>        |              | 0.3%         | -4.7%         | -2.6%         | 5.3%          | 7.7%         |                   | <b>0.3</b>                        |
| <i>TUCS Real Estate Median</i>          |              | 0.6%         | -7.0%         | -11.3%        | 0.0%          | 6.4%         |                   |                                   |
| <b>Core Real Estate Ex-Public REITS</b> | <b>5.8</b>   | <b>-3.7%</b> | <b>-43.8%</b> | <b>-19.4%</b> | <b>-4.0%</b>  | <b>5.0%</b>  |                   |                                   |
| <i>NCREIF Property I Qtr Lagged</i>     |              | 0.8%         | -9.6%         | -4.3%         | 4.2%          | 7.1%         |                   |                                   |
| <b>Value Added*</b>                     | <b>0.0</b>   | <b>-.-%</b>  | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>   | <b>-.-%</b>  |                   |                                   |
| <i>Policy Index</i>                     |              | -.-%         | -.-%          | -.-%          | -.-%          | -.-%         |                   |                                   |
| <b>Opportunistic</b>                    | <b>8.1</b>   | <b>-5.6%</b> | <b>-34.6%</b> | <b>-33.1%</b> | <b>-14.6%</b> | <b>-3.0%</b> |                   |                                   |
| <i>NPI + 400BPS</i>                     |              | 1.8%         | -6.0%         | -0.5%         | 8.3%          | 11.4%        |                   |                                   |
| <b>Public REITS</b>                     | <b>1.0</b>   | <b>-8.4%</b> | <b>21.0%</b>  | <b>-15.4%</b> | <b>-1.3%</b>  | <b>-.-%</b>  |                   |                                   |
| <i>FTSE EPRA/NAREIT DE Index</i>        |              | -7.9%        | 25.1%         | -13.7%        | 0.4%          | -.-%         |                   |                                   |

# Real Estate – Rolling Excess Returns



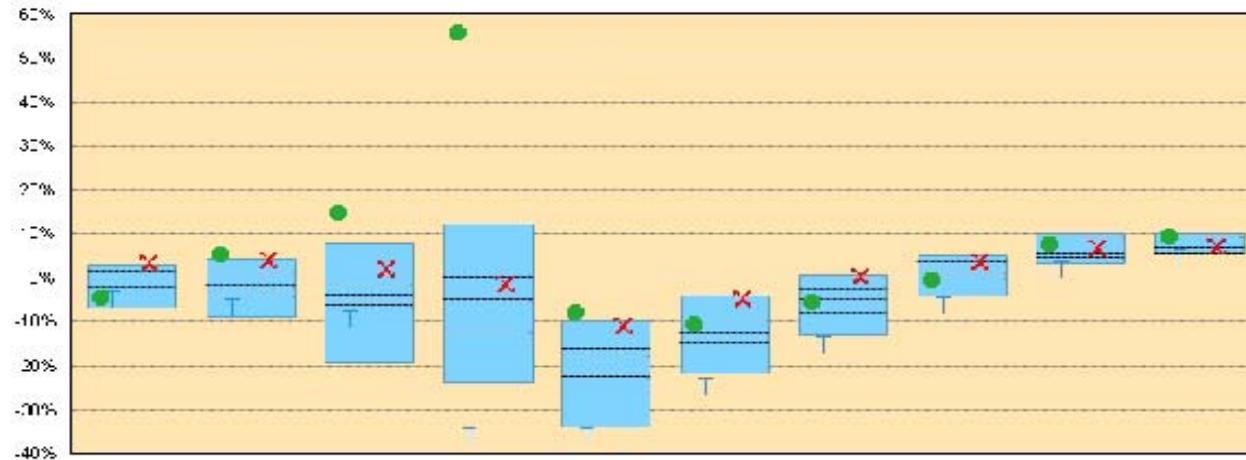
# Real Estate – Rolling Tracking Error



# Real Estate – Universe Comparison

## California Public Employees Retirement Performance Comparison

Total Real Estate Returns of Public Funds > \$10 Billion  
Cumulative Periods Ending : June 30, 2010



| Percentile Rankings    | 1 Qtr      | 2 Qtrs     | 3 Qtrs     | 1 Year       | 2 Years     | 3 Years     | 4 Years     | 5 Years    | 7 Years   | 10 Years  |
|------------------------|------------|------------|------------|--------------|-------------|-------------|-------------|------------|-----------|-----------|
| 5th                    | 3.09       | 4.41       | 7.78       | 12.29        | -9.70       | -4.09       | 0.74        | 4.92       | 10.30     | 10.22     |
| 25th                   | 1.82       | 1.39       | -1.33      | 0.17         | -15.77      | -9.56       | -2.42       | 3.70       | 9.38      | 9.46      |
| 50th                   | 1.20       | -1.63      | -3.77      | -4.83        | -17.53      | -12.54      | -4.82       | 1.37       | 5.82      | 7.24      |
| 75th                   | -1.98      | -4.17      | -5.95      | -12.34       | -22.45      | -14.74      | -7.80       | 0.11       | 4.63      | 5.78      |
| 95th                   | -6.67      | -8.70      | -19.43     | -23.74       | -34.00      | -21.74      | -12.83      | -3.98      | 3.53      | 5.70      |
| No. Of Obs             | 24         | 24         | 23         | 20           | 18          | 17          | 17          | 14         | 11        | 11        |
| Total Plan - Composite | -4.79 (94) | -6.60 (94) | -9.23 (89) | -35.89 (100) | -35.84 (99) | -24.33 (99) | -15.05 (99) | -6.15 (99) | 2.09 (99) | 4.71 (99) |
| NCREIF Property Index  | 3.31 (1)   | 4.10 (10)  | 1.90 (5)   | -1.48 (30)   | -10.98 (5)  | -4.71 (5)   | 0.36 (5)    | 3.78 (15)  | 6.70 (33) | 7.15 (50) |
| Wilshire REI           | -4.42 (94) | 5.40 (1)   | 14.82 (1)  | 56.07 (1)    | -7.90 (1)   | -10.48 (31) | -5.38 (50)  | -0.47 (75) | 7.85 (25) | 9.50 (5)  |